July, 1933

Price 25 Cents

GERMANY IN TRANSITION

By Friedrich W. von Prittwitz

THE AMERICAN ROAD TO FASCISM

By E. Francis Brown

THE NEW YORK TIMES COMPANY

Contents for JULY, 1933

A Month's World History

1933. $7.50 The Federal Reserve System, both in theory and in practice, is being seriously criticized and faces reform. Dr. Harris, in this highly competent work, gives a thorough analysis of the system since its beginnings, and in Volume II makes an intensive study of its operation during the periods of boom and depression.

The Federal Reserve Act. Its Origin and Problems. By J. Laurence Laughlin. New York: The Macmillan Company, 1933 $3.50 Less comprehensive and detailed than the study by Dr. Harris, this book is particularly valuable for the author's broad and penetrating observations on the problems of central banking in the United States, based on his lifelong connection with and study of those problems.

Foreign Investments in China. By C. F. Remer New York The Macmillan Company, 1933. $5. A survey that brings within one volume the results of the researches carried on by a number of committees and individuals in recent years Several chapters deal with larger aspects of China's international economic and financial position

The Development of Economics. By William A Scott New York: The Century Company, 1933 $4. A satisfactory text-book on economic theory

The Primer of Inflation: What It Is and What It Means to You. By Earl Sparling, New York. The John Day Company, 1933 $1.50. An explanation of inflation in popular language. The author clarifies his points with practical illustrations.

Inflation: What Everybody Wants to Know About It. By Donald B. Woodward and Marc A Rose New York: McGraw-Hill Book Company, 1933. $1.50 A concise study of inflation by the authors of *A Primer of Money.*

How to Lose Your Money Prudently. By Fred C Kelly. Philadelphia: Roland Swain Company, 1933 $1. A discussion of the operation of trust companies The author accuses them of being neither prescient nor honest

HISTORY

The White Armies of Russia A Chronicle of Counter-Revolution and Allied Intervention By George Stewart New York The Macmillan Company, 1933 $4 An unbiased and well-written account of the campaigns and leaders in the Russian Civil War, based on Russian as well as European and American sources

Modern Italy. A Short History. By George B McClellan. Princeton: Princeton University Press, 1933 $3. A concise and readable account that is sympathetic to Mussolini and the Fascist revolution

Memories of Lenin Volume II. 1907-1917. By N. K. Krupskaya New York International Publishers, 1933 $1.50. A continuation of the recollections of Lenin's widow.

History of Germany, People and State Through a Thousand Years By Hermann Pinnow Translated by Mabel Brailsford New York The Macmillan Company. 1933 $2 75 A history, not a text-book, that gives adequate attention to economic and social factors.

Memoirs of a Bolshevik. By O Piatnitsky. New York International Publishers. 1933. $2 Recollections of twenty years spent in preparing the ground for the coming of bolshevism

The German Jew His Share in Modern Culture. By Abraham Myerson and Isaac Goldberg New York Alfred A. Knopf. 1933 $1 25 A brief summary of the contributions of German Jews in the fields of science, medicine, literature and the arts.

Metternich, 1773-1859. A Study of His Period and Personality. By Algernon Cecil. New York: The Macmillan Company, 1933. $2.75. A finished biography of excellent balance.

Europe Since 1500. By Hastings Eells. New York: Henry Holt & Co., 1933. $2.90. A textbook designed to solve the everyday problems of classroom work.

The Wreck of Reparations: The Political Background of the 1932 Lausanne Agreement. By John W. Wheeler-Bennett. New York: William Morrow & Co., 1933. $3. An able English student of international affairs recounts how the late allied powers were finally forced to admit that a significant part of the peace settlement was unworkable.

World Panorama, 1918-1933. By George Seldes. Boston: Little, Brown & Co., 1933. $3. A vivid chronology of the post-war years. Intentionally kaleidoscopic.

Tariff Policy of the United States A Study of Recent Experience. By Percy W. Bidwell, New York: Published for the Council on Foreign Relations, 1933. $1. A report to the Second International Studies Conference on "The State and Economic Life," that met in London from May 29 to June 2, 1933.

MISCELLANEOUS

Law and the Social Order. Essays in Legal Philosophy. By Morris R. Cohen. New York: Harcourt, Brace & Co., 1933. $3.75. A significant collection of essays dealing with the legal implications of social change, by an outstanding American philosopher.

Insecurity: A Challenge to America: A Study of Social Insurance in the United States and Abroad. With an introduction by Frances Perkins. By Abraham Epstein New York: Harrison Smith and Robert Haas, 1933. $4. The author contends that the vast majority of Americans are economically insecure, disposes of haphazard remedies and suggests the adoption of solutions that have been successfully employed abroad. A thorough and authoritative study of the subject

American Constitutional History By Erik McKinley Eriksson and David Nelson Rowe. New York W. W Norton & Co. 1933. $4.75. A text-book that emphasizes the influence of judicial interpretations on the growth of the Constitution.

From Chaos to Control. By Sir Norman Angell New York The Century Company, 1933. $2 The Halley Stewart Lecture for 1932 The distinguished author contends that the present chaos was caused by the failure of education to prepare the democracies to understand the nature of society.

World Disarmament: Its Problems and Prospects. By Denys P. Myers. Boston: World Peace Foundation, 1932 $1. A manual prepared by the Director of Research of the World Peace Foundation. A section of appendices includes documents and statistical material.

Financial Foreign Policy of the United States. By James W. Angell. New York: Published for the Council on Foreign Relations, 1933. $1. A concise statement of American financial stakes and policies abroad, prepared as a report to the Second International Studies Conference on "The State and Economic Life," that met in London from May 29 to June 2, 1933.

Contents for AUGUST, 1933

A Month's World History

RECENT IMPORTANT BOOKS

ECONOMICS

The Internal Debts of the United States. Edited by Evans Clark. New York: The Macmillan Company, 1933. $4.50. A symposium on an unusually significant problem at the present time by outstanding authorities. Prepared under the auspices of the Twentieth Century Fund, of which Edward A. Filene is President.

Can Business Govern Itself? A Study of Industrial Planning. By Edgar L. Heermance. New York: Harper & Brothers, 1933. $3. A sane and powerful argument for a system of industrial planning in harmony with the fundamentals of the American social order.

More Money for Everyman. The Way to Financial Equilibrium. By James Mill. Philadelphia: Roland Swain Company, 1933. $1.50. The author foresees great dangers in governmental autocracy in the reorganized banking system and argues for freedom of competition with a larger metallic base for credit money.

Seasonal Variations in Industry and Trade. By Simon Kuznets. New York: National Bureau of Economic Research, 1933. $4. An able study of an important factor in the economics of production and prices.

Contemporary Problems of the Family. By Hazel Kyrk. New York: Harper & Brothers. 1933. $3.50. A valuable study of the requirements and disbursements of American families of various income-classes.

Modern Industrial Organization. By Herbert von Beckerath. New York: McGraw-Hill Book Company, 1933. $4. A penetrating analysis by a German authority, with an introduction by F. W. Taussig.

We Have Recovered Before! By Walter W. Price. New York: Harper & Brothers, 1933. $1.50. A comparison of the present depression with the great economic crises of the nineteenth century.

Revolution or Jobs. The Odenheimer Plan for Guaranteed Employment. By Thomas Ewing Dabney. New York: The Dial Press, Inc., 1933. $1.50. A description of the drastic plan devised by a successful textile manufacturer involving a constitutional amendment and an hours-of-labor commission with arbitrary authority to adjust the length of the working week so as to absorb the total of the unemployed. According to Mr. Odenheimer's view, the assurance of jobs will release a vast amount of consuming power, consequently of production demand, and working hours would be thereby increased with a commensurate increase in wages.

Inflation. By Irving Fisher. New York: The Adelphia Company, 1933. $1.50. In the main an argument for the extension of the Roosevelt program along the lines of Sweden's price control scheme, by one of the most eminent of American economists.

HISTORY

A Century of Progress. Edited by Charles A. Beard. New York: Harper & Brothers, 1933. $3. A symposium of excellent essays on all aspects of American development except religion. Among the contributors are Dr. Beard himself, Frank O. Lowden, William Green, H. Parker Willis, Jane Addams, Grace Abbott, Henry Ford and John Erskine.

Effects of the War on Economic and Social Life in Finland. By Leo Harmaja. New Haven: Yale University Press, 1933. $2. A new volume of the "Economic and Social History of the World War," published under the auspices of the Carnegie Endowment for International Peace. The author is director of the Bureau of Social Research and Statistics in Helsingfors.

The Life of Joseph Chamberlain. By J. L. Garvin. Vol. II. New York: The Macmillan Company, 1933. $5. This volume covers the period from 1885 to 1895. See S. K. Ratcliffe's article reviewing Vols. I and II in May CURRENT HISTORY.

Lord Loudoun in North America. By Stanley McCrory Pargellis. New Haven: Yale University Press, 1933. $4. An account of Lord Loudoun's conduct of the British supreme command in North America during the Seven Years' War.

MISCELLANEOUS

State Grants-in-Aid in Virginia. By Tipton Ray Snavely, Duncan Clark Hyde and Alvin Blocksom Biscoe. New York: The Century Company, 1933. $2.50. A detailed study of the theory and practice of State subvention in Virginia, prepared for the University of Virginia Institute for Research in the Social Sciences.

Swastika. The Nazi Terror. By James Waterman Wise. New York: Harrison Smith and Robert Haas, Inc., 1933. $1. An account of the Nazi pogrom against the German Jews and an argument for international political and economic pressure upon the present German Government in their behalf.

Civil War in France. By Karl Marx. New York: International Publishers, 1933. $1. A reprint of Marx's commentary on the Paris Commune, edited for present-day students.

The Beginnings of Marxian Socialism in France. By Samuel Bernstein. New York: Elliot Publishing Company, 1933. $2.50. A thoroughly competent monograph.

A View of Europe, 1932. An Interpretative Essay on Some of the Workings of Economic Nationalism. By Paul van Zeeland. Baltimore: Johns Hopkins Press, 1933. $1.75. An important study of economic nationalism based on present-day facts and tendencies in Europe. Prepared under the auspices of the Walter Hines Page School of International Relations by the author, who has had practical experience of European economic trends as director of the National Bank of Belgium, as a deputy director of the Bank for International Settlements, and as official Belgian representative at numerous international economic conferences in recent years.

Our Movie-Made Children. By Henry James Forman. New York: The Macmillan Company, 1933. $2.50. The report of a group of psychologists, physiologists, sociologists and educators on the effects of the motion pictures on juveniles. Their investigations covered a period of four years and were financed by the Payne Fund and sponsored by the Motion Picture Research Council.

The Visual Fatigue of Motion Pictures. A World-Wide Summary and Survey. Compiled and edited by Aaron E. Singer. New York: Amusement Age Publishing Company, 1933. $1. A collection of testimony from engineers, ophthalmologists, physicians and technicians.

An Indiscreet Itinerary. By Hendrik Willem van Loon. New York: Harcourt, Brace & Co., 1933. $1. An informal and very readable little travel book profusely illustrated with the author's whimsical sketches.

Contents for SEPTEMBER

A Month's World History

Eleanor Lansing Dulles. An excellent little book of reference is, by the way, the *New Standard Encyclopaedia Year Book for* 1932, edited by Dr. Frank H. Vizetelly and added by Funk & Wagnalls to their existing Encyclopaedia of 24 volumes. These are days when even encyclopedias have to be kept, as far as possible, up to date, and the logical device is addenda by looseleaf.

George Bernard Shaw is quoted as saying that the best way to know a country is not to go there. Americans, however, are a migrant people. Slowly but surely, they are discovering the world, in which, as it happens, they have to make their home. Among books of travel we select two. If effort and danger are the test, we must give first place to Helge Ingstad's arduous excursion into *The Land of Feast and Famine* (Knopf), a virile travelogue over the Far North, translated from the Norwegian. On the other hand, we cannot pretend that our personal preference has ever been for fur, frost and similar creature comforts in the Arctic regions. It is a literary trip to Bulgaria that we have been enjoying and, as a magic carpet, we have used Henrietta Leslie's *Where East Is West.*

After laughing over *England Their England* by A. G. Macdonell (Macmillan) which we have read from cover to cover, we do not think that this delightful extravaganza has been overpraised. Seldom are we so fortunate as to enjoy what Chesterton would describe as a book so "jolly" as this. To an Englishman the skit on cricket borders on the blasphemous, but British diplomats at Geneva are fair game, and over that chapter let joy be unrestrained.

The beaten track leads to Moscow, and nobody apparently can take out a passport for Russia without interviewing a publisher. The peculiarity of Russia is, of course, that she is not only a country but a creed. What the eye of the tourist sees is apt to be his preconceived impression. One pilgrim, Will Durant, entitles his volume *The Tragedy of Russia* (Simon & Schuster), which suggests that all is not yet perfect in the most perfect of all possible or impossible worlds. Corliss and Margaret Lamont, on the other hand, offer "a travel diary" of *Russia Day by Day* (Covici-Friede) which suggests that the socialism of the Soviet kind, though combating great difficulties, has a meaning for civilization as a whole.

"A complete handbook" of *Russia, U.S.S.R.* (Payson) is a case in point. It is a huge compendium of information entirely painstaking and much of it useful for reference. When, however, it is asserted that the work is "nonpartisan," we demur. Not one of the score of contributors appears to have written from inside Russia. They may be Russian by birth and culture, but their standpoint is exilic. Moreover, there is no mistaking their thesis. It is "the failure of the Five-Year Plan" which, they say, "is no longer concealable." The Russians, on their side, make no attempt to "conceal" what they call the failure of capitalism.

On the Russian revolution itself, the favorite book is, of course, *British Agent*, by Bruce Lockhart (Putnam). One aspect of the revolution—the futile but fateful struggle of *The White Armies of Russia*, the Kolchaks, Denikins and the rest, with the Reds—is described as history in a careful volume (Macmillan). *A Physician's Tour in Russia* by Sir James Purves-Stewart (Stokes) is a book to be read, not as opinion, but as evidence. His dislike of the Soviet Republic is neither here nor there. But his generally favorable verdict on Russian hospitals, clinics and care of maternity is authoritative and reveals an aspect of Communist activity too often left out of the account.

The importance of a book is sometimes in inverse ratio to its size. Hamilton Fish Armstrong, editor of *Foreign Affairs*, has written 73 pages on *Hitler's Reich; The First Phase* (Macmillan). It is a brilliant monograph, clear and comprehensive yet concise, to be commended without reservation as the thing to be read on the subject.

In books, biography has ever been our first choice and with due respect to the Ludwigs and Guedallas, we may hint maliciously that, when they crashed the gates, biography had been underwritten. Their success as best sellers was due as much to the discovery of a demand by the public as to the undoubted merits of the books themselves.

De Valera by Denis Gwynn (Dutton) is as incomplete as that statesman's career. But, so far as it goes, it is fascinating. *Alfred Mond, First Lord Melchett*, by Hector Bolitho (Appleton) is more than a family portrait painted to order. We have a real study of the man and of the Jewish problem embodied in him. Two volumes of *Joseph Chamberlain* by J. L. Garvin (Macmillan) are out, and the third is on the way. We do not say that the work is too long. As history the story of the great English democrat-imperialist who resisted Home Rule and led the nation into the South African War had to be told, and in the telling it has lost none of its original excitement. All students of the later Victorian era must read this book as a matter of course. But, as we think nowadays, those duels with Gladstone and intrigues with Parnell happened some time ago and some way off. We should welcome an abridged edition for American readers.

To series of books, we have always retained the schoolboy's partiality. We like to watch the well-drilled regiments marching by. The volumes are small and one book is supposed

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CURRENT HISTORY

JULY 1933

Germany in Transition

By FRIEDRICH W. VON PRITTWITZ

[German Ambassador to the United States from 1928 until his retirement this year, Dr. von Prittwitz has been continuously in the service of the German Foreign Office from 1908 except for a period in the army during the World War.]

IMPATIENCE has become a chief characteristic of our modern age. The younger generation especially seems unwilling to recognize that an enrichment of human life can come from contemplation or meditation and puts action and achievement in the centre of its conception of life. In politics such a philosophy leads logically to the condemnation of the slow processes of evolution that have been typical of the past era of liberalism, and calls for revolutionary methods which appeal to the present socialistic trend of mind. The consequences are felt in all countries, though with the differences that result from race, education and political temperament. In Germany the growth of radicalism in recent years shows how even a country once considered to be a nation of poets and thinkers has entered a phase of spiritual unrest with all the symptoms of a period of political, social and economic change. Whoever undertakes an unbiased survey of the actual situation in Germany should keep this psychological background well in mind.

But the ultimate explanation of an overthrow like that which has occurred in Germany must consider more the general attitude of a part of the population. Like all revolutions, that which took place in Germany this Spring resulted from specific political conditions and economic developments which created discontent among the masses, tied the hands of the government and lent persuasive force to the arguments of those who wished to overthrow the existing régime. Three groups of problems have largely contributed to bring about the German crisis: (1) The consequences of the provisions of the Treaty of Versailles; (2) the consequences of the world-wide economic crisis; (3) the weaknesses of the Weimar Constitution and the government's lack of initiative in internal questions. All three

problems are closely interrelated and should therefore not be examined separately.

No one who studies German history from the time the Weimar Constitution was adopted until the Nazi rise to power will deny that the Treaty of Versailles and its application by the victors are responsible for the growth of nationalism and radicalism in Germany since the war. The German people, who had confidently expected a peace based on President Wilson's fourteen points, were forced at Versailles to accept a document of 440 articles, most of which were devoid of economic or political common sense and unnecessarily humiliating to the vanquished. As early as 1920 John Maynard Keynes wrote: "The policy of reducing Germany to servitude for a generation, of degrading the lives of millions of human beings, and of depriving a whole nation of happiness should be abhorrent and detestable—abhorrent and detestable, even if it were possible, even if it enriched ourselves, even if it did not sow the decay of the whole civilized life of Europe."

The blunder of the Ruhr and its economic consequences were the first signals to remind the world of Mr. Keynes's warning. Gradually even those who had taken an active part in framing the peace treaties that concluded the World War admitted the advisability of replacing the policy of rigid enforcement by one of conciliation. Slowly, as an American writer said not long ago, the idea of treaty revision has been gaining ground in Europe as well as elsewhere. The Locarno agreements, the Dawes Plan and Young Plan, the Hoover moratorium of 1931 and the settlement of the reparation question at Lausanne are evidences of this development.

The steps toward reconciliation, however, were necessarily compromises between generosity and egotism. The negotiations attending them were usually slow and often painful, weakening the salutary effect for which the agreements themselves were intended. The peoples of the allied nations reproached their governments for being too lenient, while Germans felt that their own had been too acquiescent. Unfortunately the growing willingness of the victors to repair some of the damage caused at Versailles was accompanied by the steady growth of the economic crisis.

The first tragic result of this coincidence was the failure of the Young Plan, which had been devised as the first decisive move toward the liquidation of reparations. To the nationalist opposition in Germany the price paid for the evacuation of the Rhineland appeared too high, and the conference at The Hague in August, 1929, turned out to be almost literally the death-blow for Gustav Stresemann. A second equally discouraging effect of this coincidence grew out of the chilly reception in certain quarters to President Hoover's proposal in the Summer of 1931 for a moratorium on the payment of intergovernmental debts. The accentuation of the economic crisis which occurred during Secretary Mellon's negotiations with the French Cabinet brought Germany near complete financial collapse and made the German masses more willing than ever to listen to those who advocated a nationalistic foreign policy. Meanwhile, the long series of unsuccessful meetings of the disarmament conferences were being watched in Germany with growing impatience and resentment. The German people could not regard this question merely in its technical aspects; they suffered mentally and morally from the feeling that they were being left without adequate protection or security in the

midst of a heavily armed continent.

Germany had joined the League of Nations out of a genuine desire for peace and had expected to be treated as an equal in the family of nations. If concessions had not been withheld —because of the fear of an increase in the strength of Germany's nationalistic forces—the cause of world peace and of the internal peace of Germany would have been furthered. Disappointment in Germany over disarmament made counsels of caution and prudence more and more unpopular until they were branded as weak-kneed concessions to Western democracy. Dr. Bruening's government made a gallant effort to convince the world of the seriousness of the German internal situation; he pointed out to his foreign colleagues that the German people were growing restless, not from any desire for revenge but from a feeling of exasperation and oppression. When the victorious nations did act, it was too late, and Dr. Bruening was swept out of office by the pressure of impatient nationalistic elements before the Lausanne conference could meet to settle the question of reparations. Dr. Bruening's fall was the turning of the tide.

These lines are written neither to accuse nor to defend, but to explain. Mistakes have certainly been made on all sides during the last fourteen years of international diplomacy. But only the existence of counter-weights in the field of internal politics or of economics could have prevented a nationalistic reaction in Germany so long as a treaty embodying such obvious injustices as the Treaty of Versailles remained unaltered.

Unfortunately economic conditions were so bad that they served only to make the German electorate more radical. Yet, despite the consequences of war, reparations and inflation, Germany's economic conditions were bearable for the mass of the population because foreign loans financed local public works and industrial activities, thereby providing employment. But when the international flow of capital was halted after 1929 and Germany's economic life had to continue without this regular blood transfusion, the figures of unemployment and of business failures steadily rose. In a highly industrialized nation 7,000,000 unemployed and their families do not add to the conservatism of the population.

The growing radicalism was further stimulated by the increasing antagonism between the organizations of labor and the directors of industry. The former, having never quite enjoyed the privileges which the Constitution of 1919 seemed to have secured for them, were hard hit and embittered by the policy of lower wages and higher taxes; the latter attacked socialism and the existing political system for interfering with the management of business and for making impossible the accumulation of new capital. Moreover, the middle classes began to blame everything on the existing order. They deserted their old parties and joined the ranks of those which promised a new Reich where the old glory of national traditions would be revived with a new prosperity for all. No longer did the socialistic aspect of the promised land frighten a people who had lost faith in the infallibility of capitalism.

Although the German people have the reputation of being orderly and even-tempered, their history shows how often they have shifted from an almost romantic belief in international citizenship to stubborn nationalism. When, therefore, the progress of the economic crisis seemed to have definitely undermined all feeling of international solidarity, a sudden reac-

tion occurred and almost overnight drove a great part of the bourgeoisie into the arms of radicalism and nationalism. If the revolution of 1918 resulted from the defeat and collapse of imperial Germany, the upheaval of 1933 was due in large part to the consequences of despair and impatience.

While the external and economic problems were responsible for that peculiar mental depression which had descended upon the German people, further social unrest sprang from the growing inability of successive governments to cope with the German internal situation. Imagine something like a permanent lame-duck session and you will come closest to picturing the deadlock which occurred in the functioning of the German constitutional machinery during recent years. The shirking of responsibility by political parties and the incapacity of the executive to enact drastic measures were symptoms of such a situation.

What caused this deadlock in Germany? Why did it have such violent repercussions? A short analysis of the constitutional history since 1918 will answer the question.

The situation in which Germany finds herself today resembles strikingly that between November, 1918, and August, 1919, though there is a difference in that, after a painful period of transition, the revolutionary changes of 1918 were legalized by the adoption of the Weimar Constitution, whereas the revolutionary measures of 1933 received the sanction of the people in advance through the enabling act of March 24, which conferred dictatorial powers upon the Hitler government. Fundamentally, however, in neither instance have constitutional questions been settled.

In the Autumn of 1918 Germany's outstanding problem was whether the Soviet system, as represented by the councils of workers and soldiers, would prevail. Led by Friedrich Ebert, the conservative elements among the Socialists fought these radical ideas and stood for the democratic principle. But to win against extremism, Ebert had to appeal to other parties for help; compromises had to be arranged with the non-Socialists, and as a consequence the revolution proper was brought to a standstill before it was completed. In the fundamental structure of the Constitution these compromises meant concessions to the forces of particularism.

The Weimar Constitution sanctioned an extension of the supremacy of the Federal Government over the member States, but left unsolved the question of territorial reorganization and the vexed problem of the relationship between Prussia and the Reich. Through Article 18 the way to later correctives of this weakness remained open, but courage was lacking to fulfill the aspirations of 1848 and replace the old Prussian domination by a strongly centralized German State. If it is recalled that the Constitution had to be drafted under the pressure of the negotiations at Versailles and in the face of the Communist danger, the hesitation of the German leaders to launch radical attacks upon the structure of the Reich may be understandable. Nevertheless, it was a tragic historical and psychological error. In the end the local bureaucracy, supported by the monarchists, won the battle against the democrats and Socialists who were fighting for political liberty and closer national union.

The National Socialists of 1933 have learned from the mistakes of 1918. They have decided to complete their revolution and to use the enthusiasm of their followers to admin-

ister the deathblow to particularism. Through the law creating the office of Governor they have deliberately done away with whatever sovereignty is left to the States by the Weimar Constitution. Whilst the Constitution had provided only for the nomination of Reich Commissioners in the States in case of emergency, the new law establishes them as a permanent institution. From now on the Chancellor is also Governor of Prussia and proposes to the President the names of sixteen Governors for the other States. Presumably other measures are to follow for the redistribution of the territories of the States. A Nazi jurist has proudly called the law of April 7 concerning the Governors "the provisional Constitution of the German Revolution," and his boast is not without reason. The liberal and democratic elements in Germany who reject the cultural and racial theories of the Nazis cannot and will not refuse to welcome the advent of a more rationally organized administration of the nation as a fulfillment of their own wishes.

"Synchronization" has become the slogan in Germany. In accordance with this rule all local Diets have been dissolved by virtue of the law of March 31 and reorganized on the basis of the results of the Reichstag election. This law constitutes an important change in the Constitution. It establishes the principle that all general and local elections must take place at the same time, just as the dissolution of the Reichstag automatically means the dissolution of the State Diets. As these bodies will be deprived of the privilege of passing votes of censure upon the local governments, the parliamentary system in the seventeen German States seems doomed. Strange as it may appear, this provision, too, is not meeting with the disapproval of the democratic elements in Germany that have always striven for a centralized republic with local administrations of limited powers. Apparently the prevailing idea in governmental circles is to transform the States into self-governing provinces of the Reich. It will be interesting to see if the plan to split up Prussia, which was advocated by the reformers of 1919, will again be proposed.

These weaknesses inherent in the Weimar Constitution could have been overcome in the course of time. Certainly the framework of the Constitution was elastic enough to permit of readjustments. But the hope for such an evolution could be based only on energetic leadership, and in this the German people were disappointed both by the political parties and by the governments. The disorganization and demoralization of party life was accentuated by the unpractical system of general and local elections based upon the principle of proportional representation. This constitutional provision facilitated the formation of small groups without broad political programs so that only by coalitions of several parties could a government obtain a majority. As in France the aims of the several parties represented in the Cabinet handicapped the action of the government and prevented any constructive internal policy. Particularly during the last five years, the German parliamentary system was thus increasingly weakened.

The leaders of the larger parties must share the blame with those of the minor groups. Hardly ever was an effort made to line up a group of parties before an election in order to give voters a direct influence on the policies of the future government. Instead, a coalition would be formed only after the election. In that way the ultimate decision on what the vote

meant was left entirely to the party boss.

The President likewise must bear an equal share of the blame for the breakdown of parliamentary government in Germany. In the first days of the republic, the formation of a government was comparatively simple since there was a large republican majority. This led unconsciously to a misinterpretation of the Constitution in the sense that the Chief Executive left the formation of the Cabinet to the party leaders who regularly selected their Ministers on the basis of the proportional system.

Gustav Stresemann was one of the first to point out that this practice was destroying the possibility of political leadership and was not in keeping with the spirit of the Constitution. Indeed, the makers of the Constitution had purposely given the President the right of appointing the Chancellor and to the latter the right of choosing the members of his Cabinet. The intention was to secure democratic control by a Parliament vested with the right of censure instead of establishing actual parliamentary government. It was realized that unless the number of parties could be limited, it would be difficult for the parliamentary system to work satisfactorily. The Weimar Constitution had thus for good reasons been framed so as to avoid copying Western European democracy and had provided for the functions of the Executive somewhat on the lines of the American model.

The parliamentary deadlocks resulting from this misinterpretation of the Constitution and the lack of intelligent leadership by the various parties made the German people weary of parliamentarism and ready to blame the system itself for the mistakes of the leaders. Consequently, the desire in many circles for constitutional reform resolved itself into more than advocacy of a readjustment of the relationship between the Reich and the States. The whole parliamentary system came under fire. Nor did the way in which the von Papen-von Schleicher government handled the situation contribute to a rehabilitation of parliamentarism. When the Nazis made revision of these conditions a part of their platform they had powerful arguments in their favor.

Any attempt to explain the reasons which led to the victory of the followers of Adolf Hitler would be incomplete without pointing out the lack of initiative and foresight shown by the republican parties in organizing the economic life of the nation. Theoretically the Weimar Constitution had established a new social order based on a synthesis of individualism and collectivism, of capital and labor. An entire chapter of the Constitution was devoted to the economic life of the community. It was meant to be much more than a mere enunciation of fundamental principles; it was expected to provide the machinery for discussing and preparing economic legislation through co-operation of employers and employes. Although the pertinent Article 165 of the Constitution has rightly been called a remnant of the Soviet system of 1918, its philosophy nevertheless had been approved by those who wanted vocational interests protected independently of the political parliament.

This chapter of the Constitution, especially in regard to the article mentioned, has remained almost completely a dead letter. The National Economic Council, which had been designed as the chief advisory body of the government in economic legislation, remained for more than ten

years only provisionally organized. The district councils, which should have formed the substructure to the National Council, were only partly formed. In that way the whole meaning of the project was falsified. It could neither develop into a real branch of the Legislature nor act as an adequate forum for discussion in case of social conflict.

It may be that the political crisis in Germany was unavoidable for reasons over which the people had no control. Yet it seems that evolution might have taken the place of revolution if the political and economic leaders of Germany had realized earlier that the age of *laissez-faire* is definitely over. An English writer has said that "there is an antagonism between the interests of labor and capital, and at the same time a community arising from the interest of both in the work of production." Opinions may differ as to the ways and means of bringing this community of interests into effect, but it is without a shadow of doubt the problem of today and tomorrow. The Weimar Republic made a good start with the right impulses in the field of political as well as of social reform, but it lacked the courage and perhaps never had the opportunity to complete the changes it had begun.

The forces which govern Germany today have been given almost unlimited legislative powers. It seems impossible to predict what kind of further constitutional change may take place. Sooner or later the day will come when the revolutionary emotions will become calmer and a new and definite legal basis for the life of the nation will be found. In his speech before the Reichstag on March 23 Chancellor Hitler declared that the aim of constitutional reform should be to create an instrument of government uniting the will of the people with the authority of genuine leadership. Furthermore, he has promised that the revised Constitution will be submitted to the people for their approval. Incidentally, too, it is important to note that the Nazis have given no encouragement to the desire for a restoration of the monarchy.

Only future historians will be able to pass judgment on the events which twice within twenty years have so radically changed the political appearance of Germany. Generally a revolution obscures the view of the contemporary observer because certain specific aspects in a nation's life are accentuated. When normal conditions return it is usually discovered that the revolution has left its mark, and sometimes very deeply, but that it has not altogether changed the fundamental character and national aspirations of a people. In Germany's national career the years 1848, 1871, 1918 and 1933 symbolize the constant struggle between the spirit of St. Paul's Cathedral and the traditions of Potsdam. The battlefield has been just as much the political arena as the soul of the German people. Only when a synthesis can be found between these two opposing currents in Germany's internal life will the struggle end.

The American Road to Fascism

By E. FRANCIS BROWN

[There has recently been much discussion of the question whether a tendency exists in America toward fascism. One of several possible answers is given in the following article by the associate editor of CURRENT HISTORY who for the past two years has been recording events in the United States in the "Month's World History" section of the magazine.]

SOMETHING is happening to America. Four years ago the United States, devoted to a philosophy of unrestrained economic individualism, led the capitalist nations of the world. Today, though its leadership remains, its capitalism has been, is being, greatly altered. Amid the economic and social confusion of the hour, only one thing stands out clearly: the capitalism of yesterday lies behind. Ahead we cannot see, but signs there are which bear out the contention of the Italian newspaper, the *Giornale d'Italia*, that America is "on the road to fascism."

Since the march of Mussolini's Black Shirts on Rome more than a decade ago, the world has become familiar with the outlines of fascism and with the Fascist State; it has seen an imitation of the new Italy arise in Germany, and it has found Fascist ideas permeating the thinking of still other countries. Briefly, fascism is a movement of the middle class in those countries where the events of the post-war years have left it poor in pocket as well as in spirit. With its old social and economic position destroyed, or at least threatened, the middle class has risen in revolt. In Italy and Germany, the two most obvious Fascist States, there has been an actual political overturn staged by a middle-class party which has assumed dictatorial control. Old forms of democratic government have been swept away; civil liberties have been suppressed; dissident minorities which might menace the dictatorship have been put down, and the new rulers have filled government posts with their own supporters. Moreover, both in Italy and Germany the Fascist revolution has been accompanied by a truculent, militaristic mood and has won support by playing upon patriotic disappointment over the outcome of the war.

But dictatorship is not the essential element in fascism. If it were, it is difficult to see how the middle class could expect to gain anything from such a régime. There have been many dictatorships in history, but only within the past ten years have any of them been Fascist. The fundamental, distinguishing factor in fascism is its economic program, which aims at rehabilitating the middle class.

Awakened by its painful experiences since the World War to the evils of unrestrained competition and uncontrolled production which seems to be characteristic of the capitalistic system, the middle class has sought to escape its troubles through economic planning within a self-sufficing State. But it is not to be planning outside the framework of capitalism; rather is it to be within the old system, since property rights, to a large extent, and profits are to be retained. Working through government agencies, produc-

tion and consumption are to be coordinated in an attempt to improve the lot of the individual and to raise the standard of living. Since coordination presupposes a complete economic unit, the Fascist State rests upon economic nationalism. And because enlightened self-interest points to the desirability of assuring the worker adequate wages and steady employment, the working class will benefit along with the middle class in a Fascist State. In short, fascism seeks to eliminate economic and social waste, to save the best in capitalism and to discard the worst.

Such is fascism in Italy, where it has reached its highest development, though even there only a start has been made to carry out its program. Such appears to be the fundamental purpose of the National Socialist movement in Germany. And in Ireland, also, examination will disclose that President de Valera's plans contain much that rests upon the same philosophy.

But what of the situation in the United States? If the plight of individuals is forgotten and the whole scene surveyed, it will be discovered that, just as in Italy and Germany, the middle class has been bruised and battered. Before 1929, that class, with its business and professional men, technicians, skilled workers and farmers, had set the tone of the whole country—it was America. For generations its members had been building a great nation, a nation whose future appeared to be assured. Gradually they had raised the standard of living until—despite the deplorable conditions which many workers were forced to accept—they believed that poverty might actually be abolished. Theirs was a spirit of hope, of belief in human progress onward and upward forever. Nursed on the doctrine of individualism, Americans turned away from anything that smacked of collectivism or socialism. Not being a contemplative people, they disliked social criticism; dissent was seldom tolerated. Instead, they rested in the assurance that their country was the best in the world, its people the richest and its government the most liberal.

Suddenly the dream faded; the "years of the locust" were at hand. Security of livelihood, which had meant adequate income during the working years and a comfortable income in old age, had always been denied to hosts of Americans, but it had been a goal which all hoped to attain and which many did. The stock market crash in 1929 and the deepening of the depression that followed, definitely destroyed any likelihood that security would ever be realized. When that fact sank into the mind of America's middle class, it suffered the first of many disillusionments.

Since then the story, though filled with light and shadow, has been disheartening and tragic. Countless men and women to whom life held out great promise have become human derelicts. Farmers have seen their properties swept away by tax sales or mortgage foreclosures. Banks have closed; industries have failed; merchants have shut their doors. Some people have not been noticeably affected; they have been among the fortunates who retained steady work while millions of others have found their only occupation in standing in bread lines. College graduates who had been led to expect that they would inherit the earth found that the world had no need for them, that they were indeed of the lost generation.

The middle class was not alone in

its suffering. There were the workers, too, but they, ever but one step ahead of poverty, were not confronted with the painful readjustment to a new way of life which few middle-class families have escaped. From executives with high salaries to poorly paid bookkeepers, the experience has been much the same. Homes have been lost by mortgage foreclosures as wages have fallen or disappeared; dividends have ceased to be paid and securities have become worthless. The old club life has sickened—in many instances has died; patronage of the arts has waned; private schools and Summer camps have been foregone. Automobiles, vacations, old forms of entertainment have been given up, while many who once maintained a lavish scale of living have considered themselves lucky to have food for the morrow.

Even those hundreds of thousands of Americans who have experienced none of these tribulations have been obliged to witness, ofttimes to share in, the sorry plight of their friends and relatives. They have become conscious of the mounting unemployment as they watched the shuffling bread-lines or, when a panhandler approached, passed by on the other side. Thus to all came a feeling that something was wrong, a consciousness which quickly became a conviction that much more than a mere turn of the wheel of chance was responsible for the far-flung human tragedy.

It was bad enough that, in the midst of the well advertised new era, the economic system could tumble and crash; it was even worse when the popular idols of the new era were smashed. The affair of Kreuger & Toll, dragging down with it an old and esteemed American investment house, came late in the course of the depression, but it only added to the feeling of despair that had arisen from the closing of banks up and down the land, not the least being the stupendous failure of the Bank of United States in New York City. Even when the management of that bank had been exposed as dishonest, the public did not lose confidence in the bankers as a group; such final disillusionment was reserved for the beginning of 1933, after the Senate banking inquiry had got under way. Meanwhile the collapse of the Insull utility empire had ruined thousands of investors and besmirched many men who in the public mind had previously typified the best in American business. And thus the prophets of the new era were proved to be false.

But to be the source of greatest disillusionment of all was reserved for the unlucky man who happened to be President of the United States in the years immediately following 1929. The administration of Herbert Hoover opened with high hopes; it closed in one of the blackest hours of the Republic. Hailed as a man who would abolish poverty, he surrounded himself with the representatives of plutocracy and, because he adhered to the old philosophy of rugged individualism, showed himself incapable of directing the economic forces which eventually ruined him and his country. When one after another of the administration's widely heralded moves left the country only deeper in the economic slough, the people of America turned away from Mr. Hoover and the discredited business men upon whom he had leaned for support.

The Hoover administration, fumbling, making false steps, was meanwhile engaged in a running fight with Congress. Its purposelessness gave big business and finance an opportu-

nity to instil in many minds the belief that in a time of crisis democratic government was impotent. Strident editorials in newspapers and magazine articles assailed the dilly-dallying of Congress, urged the desirability of its adjournment and talked furtively about the virtues of dictatorship. And at the same time, in the dramatic satire, *Of Thee I Sing,* the American political system was ridiculed before a public that had delighted in the racy exposure of the foibles and meanness of official Washington presented by that best-seller, *Washington Merry-Go-Round.* There were not many illusions left.

To the general unrest and breakdown of morale induced by bitter personal experience and observation must be added the intellectual stirrings that after 1929 affected the thinking portion of the middle class, an element in the population whose importance cannot be exaggerated, for in the long run it sets the tempo of the national life. The first of these mental shocks, and perhaps the greatest, came from abroad—from Soviet Russia.

With few exceptions Americans, during the first decade that followed the Russian revolution, believed that the Communist experiment was doomed to fail; paradoxically enough, they also expressed a fear that communism would undermine the foundations of the American system which then appeared to be running smoothly. Occasionally dissident voices were raised in favor of recognizing the government of the new Russia; now and then business leaders suggested that in the Soviet Union lay a potential market of great profit for American producers; but by and large the people of the United States would have nothing to do with the Russian Communists or any of their works.

Before 1930, publicists, speaking and writing for an American audience, had reflected this hostility to the Russian experiment. The United States, therefore, knew in only the most meagre fashion of the momentous developments within the great area beyond the Polish and Rumanian frontiers. Then, with the first crack in the legendary prosperity of America, a new note crept into the speeches and articles of men and women who professed knowledge of the Soviet Union. Not only were Communist ideas set forth clearly and dispassionately, but the accomplishments of the Soviet leaders were described in detail. Ostensibly the former hostility and distrust in regard to everything that pertained to the Soviets survived, but the American public avidly seized upon every scrap of information available about the régime that had succeeded to the autocracy of the Czars. A new tolerance became apparent. Otherwise there would have been no market for the books which were rushed from the presses about all phases of the social and economic order shaping itself under Stalin's dictatorship. Innumerable magazine articles contributed further information about the Soviet Union, and notwithstanding continued scares about Communist propaganda, Americans traveling abroad added the Soviet Union to their itineraries.

Of course, the exact effect of this new knowledge cannot be determined; yet it was surely not without result. The revelation that a social system wholly the opposite of capitalism apparently could be devised and made to work was startlingly disturbing at the moment when capitalist nations in all parts of the world were apparently breaking down. Thus, out of Soviet Russia came a challenge that

increased the mental ferment which was arising from the social and economic tragedy at home. And yet, Americans remained loyal to capitalism, even if certain leaders, men of the market place, as well as closet philosophers, awoke to the possibility of stealing some of the best ideas in the Communist experiment with the thought that grafting them on the old capitalism might bring about a rejuvenation. The economic planning of the Russians, in particular, made a strong appeal.

Then, on the heels of this interest in Russia, came analyses from economists and sociologists of the causes of the economic débâcle and suggestions for recovery. Now for the first time a nation steeped in ignorance of economics was introduced to the dismal science; Americans began to discuss production and distribution and consumption like veterans in the Department of Commerce; they learned what was meant by economic planning, both as a theory and as it was being put into practice in the Soviet Union.

It may have been that interest in the Communist society had been based upon the attraction of the new and exotic and that men did not see how Communist ideas could be applied in America. Economic planning, however, was different. Some industrial and financial leaders recalled the achievements of the War Industries Board which for a few months in 1918 had given America a lesson in economic planning. Possibly the influence of the War Industries Board on the thinking of business leaders was greater than we had been aware; certainly its memory had been kept green in the decade after the war, and some of its ideas had been translated into action during the years of peace.

For a few brief months in 1931 and 1932 economic planning was expounded in the widely circulated writings of Charles A. Beard and Stuart Chase and was made respectable by the public utterances of men like Gerard Swope and Owen D. Young of the General Electric Company, as well as by many other public figures who could in no sense be regarded as radicals. In counting house as well as academic hall, the possibility of a controlled industrial society became a subject for discussion, and men with long heads, though uncertain about the method of application, conceived of a planned economy as a way to save capitalism while apparently losing it. But the pressure of the Presidential campaign shifted the public's interest, and talk about economic planning died away. Nevertheless, there can be no question that the publicity given to the Russian Five-Year Plan and the vogue of schemes for American economic planning had left their mark upon the minds of men in high places.

Another tempest occurred in the intellectual teapot during the past Winter when the cult of technocracy came into vogue. Its full life was a matter of weeks only; many of its ideas were disproved or discredited, but, like so many other criticisms of the social order which the country had long known and accepted, technocracy bequeathed a legacy of further uncertainty that our present system had long to live.

Even before technocracy was presented to the public, the American middle class, disillusioned and desperate, had carried out a political revolution. Surprising as it may seem, the American middle class, despite its personal woes, its loss of a sense of security and the breakdown of confidence in the existing political and economic order, did not turn to radical-

ism. Their interest in socialism and communism never exceeded the parlor-pink enthusiasms which had long been characteristic of the intellectuals. Norman Thomas carried a mild variety of socialism to the country during the Presidential campaign of 1932; he drew large, sympathetic audiences, and, while he may have stirred his hearers to thinking along new lines, they did not vote for him on election day. At the same time, the Communists got nowhere, neither as a political movement nor as sappers of American capitalism. When the American middle class was ready for its revolution, it acted along traditional lines, marching to the ballot box and rejecting with little qualification both Herbert Hoover and his party.

Mr. Roosevelt, capitalizing the discontent of the nation, had appealed to the country in a campaign that had featured a mysterious something called the new deal. The mass of voters had little understanding of what constituted the new deal; they wanted only a change—a change for the better, of course—but revolutionary movements are seldom specific. People did not understand where Mr. Roosevelt stood during his campaign, nor do they comprehend where he is leading them today. They only know that he strikes their imagination, that he is the kind of leader they like, for he seems to have their interest at heart, and, above all, they delight in his policy of bold, forthright action.

To say that the Roosevelt program, with its overwhelmingly popular approval, is Fascist may seem farfetched. Certainly there is no dictatorship on the Italian or German model. The President, while asking for tremendous grants of power, has been granted them by Congress within the framework of the Constitution. Presumably Congress could alter or withdraw any of these powers whenever it might see fit. The administration has not followed the customary Fascist policy of suppressing labor unions and dissident minorities—though in America such groups are either so weak that they can be ignored or they are so thoroughly middle class that they support the government anyhow. Nor have civil liberties been encroached upon. Possibly there has been no need to curb democratic liberties; possibly enlightenment has discovered that suppression is far more dangerous than freedom. And, finally, America manifests none of the chauvinism and militarism associated with Mussolini and Hitler, largely because any movement must reflect the folkways of a people, and such phenomena do not arise from the American mores.

But, as was said earlier, the essential element of fascism is its economic program, which seeks to insure for the middle class their old security through an adaptation of the fundamentals of capitalism, but under governmental control, to a new social and economic system that will benefit the nation as a whole rather than a few individuals. That is the program of the Roosevelt administration.

From the President, from his advisers and from the members of his Cabinet have come many expressions of this new philosophy, but nowhere has it been more definitely set forth than in Mr. Roosevelt's address to the nation on May 7, when he called for "a partnership between government and industry and a partnership between government and transportation; not partnership in profits, because the profits would still go to the citizens, but rather partnership in planning and partnership to see that the plans are carried out." And in the series of laws enacted by an acquies-

cent Congress that partnership is being created.

In the brief period since March 4 the administration, through the Emergency Banking Act, the Farm Relief Law, the Securities Control Law and especially by the pending Industrial Recovery bill, has obtained control over almost all departments of the nation's economic life—agriculture, industry and finance. It can regulate production and distribution, determine hours of labor, and, within certain limits, fix wages. Moreover, through the Muscle Shoals Law, the government proposes to carry out a great scheme of both social and economic planning the like of which has never been seen in the United States. A decade ago, even four years ago, such measures would have been unthinkable; today they have become almost commonplace and have the support of millions of citizens in all walks of life and on every level of material welfare. A great middle-class nation, disillusioned, embittered, has turned away from its tradition of individualism and *laissez-faire* capitalism.

Regardless of the concentration of power in the Chief Executive, the United States has no dictatorship. Possibly dictatorship accompanies fascism only in those countries where the democratic tradition has been weak and where experience with parliamentary institutions has been limited. In America, a nation grounded in more than a century and a half of self-government, all that is needed is the endowment of the President with powers adequate for the carrying out of the economic program. Such a delegation by Congress is in line with American constitutional evolution. While the numerous commissions and departments which direct the economic planning of a Fascist State must not be subjected to constant interference by a Parliament or Congress, there is no reason why a Legislature may not revoke or alter the statutes by which these executive bodies have been created. And the President, no matter how great his powers, will not be a Mussolini so long as he must periodically permit the country to vote for or against his continuance in office, so long as he must ask a popularly elected Legislature for his grants of power.

Thus we see within the democratic State a new social and economic order being worked out. Raymond Moley, Assistant Secretary of State and close adviser of the President, has said that the administration is working for "an architecturally more harmonious national life," that it desires to "supervise the ebb and flow of economic affairs more closely" in order to "assure every American citizen * * * that his general interest is not sacrificed to special interests." Such an ideal may appeal to the country as a way for saving the best in capitalism while avoiding the radical panaceas of socialism or communism. The people of the United States are not anxious to stray far from the old paths, though after all that has happened they are prepared to straighten those paths where necessary. The straightening has begun; it may be a slow, halting process, but the new America will not be capitalist in the old sense, nor will it be Socialist. If at the moment the trend is toward fascism, it is an American fascism embodying the experience, the traditions and the hopes of a great middle-class nation.

Anglo-American Economic Issues

By SHEPARD STONE

[Dr. Stone, since his return from Europe, where he was engaged in investigating international problems, has been in Washington studying various aspects of American foreign policy.]

ON the eve of the sailing of the American delegation to the World Economic Conference in London the outstanding issues of which a settlement was to be sought had begun to be more clearly defined. Among the first difficulties to be overcome were those created by the differing policies and aims of the United States and Great Britain, especially in regard to currencies, tariffs and war debts, even though the last-named had been kept off the agenda paper. The series of exciting events in the early Spring tended to conceal from the American public the seriousness of the division between the two countries, but toward the end of May, no matter what other international discord there might be, there was little doubt as to the necessity of Anglo-American harmony if the conference were not to fail.

Optimism is a customary product of Mr. MacDonald's journeys, and this was particularly the case with his Washington visit. But it began to be somewhat dissipated, especially among Americans and Englishmen who were aware of the formidable obstacles to substantial economic and financial agreements, as they began to subject the possible results of the conference to more detached and realistic consideration. It became increasingly evident that in the world's commercial life many blood transfusions would be necessary, but that no nation would be willing to furnish the blood.

It is not merely an academic question to ask if Mr. MacDonald was the proper British representative to visit President Roosevelt in April. Although the British Prime Minister's popularity in the United States was beyond all doubt, it was more important to discuss economic conditions and methods with a man of greater authority among his colleagues and in his own country. Mr. Baldwin, though not Prime Minister, is the virtual leader of the present British Cabinet, and while Mr. MacDonald was talking about the necessity of international understanding and tranquillity, Mr. Baldwin was concluding bilateral trade agreements with Denmark, Germany and Argentina. No one can question the sincerity of Mr. MacDonald's efforts; but how much were they likely to contribute to the solution of intricate economic problems? In the House of Lords on May 24 an attack was made on Mr. MacDonald by his former colleague, Viscount Snowden, who suggested that the Cabinet "look into the case of the Prime Minister * * * in the interests of the country, for it is a positive danger to the country that its affairs should be in the hands of a man who, every time he speaks, exposes his ignorance and incapacity." Although we need not inquire here what inspired such an outburst of rancor, there can be little doubt that most of the members of the British Parliament, though deprecating the tone of the speech, agreed with it in substance. If any concrete agreements were to be reached in London, the world and America wanted to know

whether Mr. MacDonald was speaking for himself only or for the British Government, whose delegation at the conference was later selected to carry out the dominating purposes of the Conservative party.

In the weeks before the opening of the conference, a situation no less ambiguous was revealed in the United States. In Washington it was impossible to discover a clear outline of the policy which the Roosevelt administration intended to pursue. It is possible that there was no policy but only nebulous ideas. Between Secretary of State Cordell Hull and Assistant Secretary of State Raymond Moley there was a pronounced difference of opinion over the methods by which prosperity is to be restored.

Mr. Moley's emphasis upon the priority of domestic economy conflicted with Mr. Hull's thesis that tariff restrictions must be eliminated and other impediments to trade removed before any economic improvement could be expected. Speaking before the American Society of International Law on April 29, 1933, Secretary Hull said: "It follows beyond question that business recovery must be preceded by the restoration of international finance and commerce, the alternative to which is a continuance of the unsound economic policies under the operation of which the entire world since 1929 has been in the throes of an unspeakable depression."

Three weeks later, on May 20, Mr. Moley, the chief of the "Brain Trust," sang to an entirely different tune: "It is overwhelmingly clear that a good part of the ills of each country is domestic. The action of an international conference which attempted to bring about cures for these difficulties solely by concerted international measures would necessarily end in failure. In large part the cures for our difficulties lie within ourselves. Each nation must set its own house in order. * * * There are relatively few remedies which might be called international remedies. * * * The people of the United States * * * must recognize that world trade is, after all, only a small percentage of the entire trade of the United States. This means that our domestic policy is of paramount importance. * * * Common sense dictates that we build the basis of our prosperity here."

It was not without significance that Professor Moley spoke only two days after Mr. MacDonald had announced in the House of Commons the list of the British delegates to the economic conference. Nominally, the Prime Minister himself was to head the delegation, but since, as he explained, he was president of the conference, he would be unable to attend the regular meetings of the British representatives. Neville Chamberlain, the Chancellor of the Exchequer, was to assume leadership. Other members of the British delegation were to be Viscount Hailsham, Sir John Simon, J. H. Thomas, Sir Philip Cunliffe-Lister, Walter Runciman and Major Walter Elliot. On the whole, these men were practical politicians who entertained no illusions as to the successful possibilities of the parley. Pro-tariff beliefs and legal shrewdness characterized their opinions. They comprised, for the most part, an ultra-conservative group which believed in developing, with the use of effective tariff barriers, a closer union of Great Britain and her empire. Secretary Hull, James M. Cox, Senator Pittman, Senator Couzens, Representative McReynolds and Ralph W. Morrison, the chief American delegates to the conference, were men of an entirely different temperament and intellectual equipment. Aside from Sec-

retary Hull, not one of these men possessed either the experience or the definite economic opinions of the men who would endeavor to promote British interests.

Mr. Moley's radio address not only appeared to be the antithesis to Secretary Hull's views, but also out of line with President Roosevelt's own statements. In the communiqué issued at the end of the Roosevelt-Jung discussions on May 6, it was stated that the World Economic Conference must succeed quickly and that "the task is so complex and difficult that unless it is approached by all nations with the fullest and sincerest desire to arrive at a result, the conference cannot succeed." The next day, addressing the American people, Mr. Roosevelt reiterated his belief that "the domestic situation is inevitably and deeply tied in with the conditions in all the other nations of the world." He emphasized four objectives of the World Economic and Disarmament Conferences—reduction of armaments to relieve tax burdens, "a cutting down of the trade barriers in order to restart the flow of exchange of crops and goods between nations," stabilized currencies so that trade could make contracts ahead and the establishment of friendlier relations between the nations.

Again, in his message to the peoples of the world on May 16, President Roosevelt repeated this trend of thought by insisting that "the conference must establish order in place of the present chaos by a stabilization of currencies, by freeing the flow of world trade and by international action to raise price levels. It must, in short, supplement individual domestic programs for economic recovery, by wise and considered international action."

Whose voice, then, would sound loudest at the conference—Mr. Roosevelt's, Mr. Hull's or Mr. Moley's? For the success of the World Conference it would be vital that, just as the British delegates should speak with authority, the United States members should represent a unified opinion and not a conglomeration of miscellaneous attitudes and ambitions.

Assuming that the American and British delegations would be consistent within themselves, how could the aims outlined by President Roosevelt be attained? The situation as between the United States and Great Britain would be complicated by the representatives of more than sixty nations, each propounding and defending its own policy. Despite all the talk of sacrifice and compromise, unless a radical change took place without delay in the national psychologies, individual national advantage would be necessarily the objective of each delegation. But even if the ambitions of the lesser commercial nations could be disregarded, which they could not, the differences between the United States and Great Britain hung like a low cloud over the prospects of the conference.

Great Britain has consistently urged that the stabilization of the pound and the formulation of international policies concerning complex questions of exchanges, tariffs and commercial relations were impossible until the intergovernmental war debt tangle is unraveled. In British opinion currencies could not be stable if they remained at the mercy of large transfer payments necessitated by the war debts.

During April and May, when the economic and political peace pipe was being smoked in public by the representatives of several nations, an unheralded meeting took place in Washington that may have been more vital

to the success of the conference than all public pronouncements. Sir Frederick Leith-Ross, chief economic adviser of the British Government, who plays an important part in the formulation of British financial policy, paid a visit to the White House and attempted to negotiate a final settlement of the British war debt with the Roosevelt administration. His mission was unsuccessful, because Congress had shown no sign of abandoning its intransigent attitude on the question. Not until the end of May had President Roosevelt, who so far was being granted everything he asked of Congress, apparently considered it advisable to seek authority to negotiate a settlement of the debts or obtain power to concede a moratorium on the payments due on June 15. There were indications, however, that he recognized the importance of a partial settlement at least and that he would take some step before June 15 to relieve the pressure on the debtor nations. Whatever might happen, it seemed that the atmosphere of the conference, which was to open on June 12, would become less harmonious. If the British paid, they would adopt a stiffer attitude; if they defaulted, it would have disagreeable repercussions in the United States.

Officially the question of the intergovernmental debts was not to be discussed at the conference. On May 9, however, Mr. MacDonald, in informing the House of Commons about his Washington visit, stated that "the debt negotiations will have to go on concurrently and on parallel lines. It is to be dealt with by another body of men." And circles close to the administration in Washington were convinced that the conference could not be fully successful without a satisfactory and final settlement of the question of intergovernmental debts. Right from the start, therefore, it seemed that the deliberations of the conference were to be threatened by the uncertainties of this problem.

The currency problem was another disturbing element. In Washington the financial experts of the United States and Great Britain agreed that the dollar and the pound ought to be stabilized simultaneously. But they could not remotely agree on the ratio to be established between the two monetary units. Neither the United States nor Great Britain appeared to be anxious to stabilize since they each regarded a fluctuating currency as a powerful bargaining weapon. The Roosevelt administration was disinclined to stabilize the dollar since it feared that such action might check the price-raising features of its domestic program. On the contrary, it gave evidence of a tendency to await developments in the American business situation during the Summer. When the question of stabilization should become acute, it seemed probable that the United States would prefer a proportional relationship as near as possible to the old ratio which existed before Great Britain abandoned the gold standard. That country apparently desired a ratio of $3.40 to the pound. Whether Great Britain would consent to a stabilization ratio above $3.60 was problematical; whether the United States would even consider such a relationship was no less uncertain. Since Great Britain attributed a large portion of her economic ills to the unsuccessful post-war attempt to maintain the pound at its pre-war level and, on the other side of the ocean, the American administration favored a "cheapening" of the dollar as against its former high level and also in its relation to foreign currencies, the divergence of aims was obviously very serious.

It was hoped, however, that the recent appointment of Dr. O. M. W. Sprague, former Harvard professor and, though an American citizen, until recently adviser to the Bank of England, to the position of executive assistant to the Secretary of the Treasury, was an indication of the beginning of British-American cooperation. Dr. Sprague's knowledge of the mechanism of the British exchange equalization fund may lead to the creation of a joint fund for the de facto stabilization of the pound and the dollar. This would be a beneficial start.

At the end of May, not only a complete return of America and Great Britain to the gold standard, but even a de facto stabilization of their currencies seemed unlikely until international trading conditions became more stable. Thus the differences between the two countries became more intricate in the labyrinth of the general tariff situation. The flow of trade between the two greatest commercial powers as well as among other nations was impeded and in many cases prohibited by tariffs, super-tariffs, taxes, surtaxes, quotas and bilateral agreements. Nazi Germany, for example, while eager to accept any measure to improve international trade, was not adopting any policy which did not have as its fundamental principle the economic self-sufficiency of the nation in case of war. And France, with a very unfavorable balance of trade, was unlikely to forego her system of quotas unless the war-debt problem and currency problems were solved. Confronted with this situation, Great Britain, a relatively low tariff country in comparison with the United States, intimated that she would not consider a 10 per cent decrease in her imposts. In view of the present barriers, neither a prolongation of the tariff truce nor even a general 10 per cent reduction would be an adequate step toward increasing international commerce. Circles close to the administration in Washington, nevertheless, would probably be quite satisfied if a general 10 per cent reduction were agreed upon.

Both Great Britain and the United States had to consider the tariff problem from standpoints other than the international. In the former country an overwhelming number of Conservative members of the House of Commons, who were temporarily supporting the Baldwin policies, were hostile to any agreements which would interfere with their ideal of a closer imperial union. They have not hesitated to attack even the reciprocity pacts concluded by Great Britain with Germany, Denmark and Argentina. Their attitude toward any additional tariff treaties which would prevent the development of the purposes of the Imperial Conference of Ottawa last Summer would probably lead to a government crisis. They believed that economic nationalism was the inevitable trend in the world at present and they proposed to utilize its methods to the utmost within the boundaries of the British Empire.

At the same time the Roosevelt administration was evidently aware of the incongruity between the American high protective system and our position as a great creditor country. Apart from Secretary Hull, however, it was not certain that the other exponents of American policy in London would draw the logical conclusions from this situation. Mr. Hull has estimated that public and private debts owing to us amount to approximately $28,000,000,000, with annual interest and amortization instalments of $1,250,000,000. The United States

was not ready to forego this sum. Neither were we prepared to lower our tariff barriers effectively enough to allow these debts to be paid with goods. If we were to escape from this dilemma a policy had to be framed in accordance with the facts. In moderate British opinion, world economy could not recuperate until the United States were willing to pursue a tariff and lending policy compatible with our creditor position. Should President Roosevelt receive authority from Congress to negotiate tariff agreements which would allow him to make concessions, he could begin to bring our tariff policy in line with our creditor position. At the same time our representatives in London would have another powerful weapon in their negotiations.

There were men in Washington, however, who believed, even in the event of improved international trading conditions, that the private debts owing to us, totaling about $15,000,000,000 would never be coll'cted in full, and that they were actually not worth $3,000,000,000. Since European investments in this country were for the most part in the highest type of American bonds and other securities, these men were inclined to look upon the United States as in reality a debtor nation. The logical conclusion to such a thesis would be the maintenance of tariff barriers by this country.

Finally, the United States and Great Britain were not in accord on a policy to raise prices by the initiation of large domestic programs of public works. With British taxpayers bending under a heavy burden, Neville Chamberlain's last budget left no doubt that British expenditures on public improvements would be very much restricted, perhaps exclusively to the building of government offices and the partial elimination of city slums. Since President Roosevelt has laid increasing emphasis on the necessity of raising domestic prices, it was necessary for American expenditures on public works to be paralleled in Great Britain and other countries. Otherwise, the United States would have to insulate herself against the importation of cheap foreign goods. This in turn would destroy the whole conception of international cooperation in the economic field. The importance, consequently, of British-American cooperation to raise prices was very great.

The outlook on the eve of the London conference was therefore not promising. Everywhere there was an almost unanimous agreement in principle that tariffs ought to be lowered and other trade barriers gradually eliminated; there was a general feeling in Washington and London that the stabilization of currencies and the raising of prices were necessary; but there was no unanimity as to who should make the first concessions to initiate these processes of recovery. The platitudes and loquacity of statesmen could not span the distances between conflicting national desires and opinions.

It was unquestionably the dawning realization of all these difficulties which led to Mr. Moley's plea that the American people should not expect too much from the conference. He asked them to turn their eyes homeward. In the United States there has been a beginning of increased industrial and business activity. If it continues and our domestic policies lead us out of the depression, then our position in London becomes immeasurably stronger. Should the conference by October reach the point at which decisions are to be made, and if the United States is then enjoying improved conditions, our representa-

tives would be in a position to demand greater concessions for American cooperation.

If the conference turns out to be a failure, the differences between Mr. Hull's and Mr. Moley's conception of economic recovery will appear to have been partly tactical. Mr. Moley's speech was a bridge over which the American army would be able to retreat to home territory if the attack should prove unsuccessful. The British Conservatives are attempting to open up similar lines of communication with the Dominions and dependencies, and on May 9 France held the preliminary meeting of her own imperial conference in Paris to discuss closer economic collaboration.

Thus, even before the World Economic Conference opened, the three greatest powers prepared for the possibility of failure. If that should prove to be the case, economic nationalism will be raised to a still higher plane. According to informed opinion in Washington, the United States and Great Britain would be the main antagonists in London, and an unsuccessful conference would accentuate the points of difference between them. In the ensuing economic struggle it was believed that France would start from the strongest position. But the United States would not find it difficult to outdistance Great Britain in any economic race.

The choices before the conference are not many; the importance of what it does is enormous. In a chaotic economic world it is necessary that a decision be made. That decision rests mainly with the United States and Great Britain. Questions of national deflation, national cooperation for the progressive elimination of trade barriers and currency fluctuations, and finally, through central bank cooperation, international planning based upon national planning, are before the delegates. The economic life of over a billion people will be affected by their success, their failure, or their indecision.

The Breakdown in Religion

By ALBERT C. DIEFFENBACH

[A prominent Unitarian minister, the writer of the following article was for many years editor of *The Christian Register*. He is the author of *Religious Liberty—The Great American Illusion*.]

ORGANIZED religion in the United States stands today at "a heart-breaking crisis." These are the words of an eminent church official who is at the zenith of his powers. If he were not a man of unwavering loyalty to institutional religion, his testimony would not be impressive.

For this is no time to give heed to those who believe in neither religion nor the church and who are eager to spell the doom of both. When the world is in chaos, it is the part of wisdom to seek out the informed, seasoned and moderate minds whose faith in spiritual reality and whose zeal for the continuance of its institutions keep them free from a catastrophic mood, men who at the same time rise above the naïve optimism of undiscriminating piety and face the facts.

There are thousands of such even-minded and realistic churchmen who have no desire to avoid the conclusion that in virtually all the branches of Protestantism religion is in a state of collapse. This process of decline has continued long and the causes are manifold. The serious loss of monetary support of the churches during the past four years has accelerated the forces which have brought about the downfall, but the financial failure is hardly more than incidental to the inevitable progress of disintegration.

Let it be kept in mind that we are now dealing with organized religion and not with religion itself. Religion outlives all its outward forms and institutions and from age to age recreates new ideas and means of administering its quickening and enlightening power. And it is far from the fact that the churches are destroyed. The present crisis which besets them is not unlike that which gives the country concern about its political, social and economic structure. No one would say that either State or church is done for. It may be the churches will be greatly changed in their doctrines and administration; some of them may even disappear. Such things have occurred before, and neither the world nor religion has suffered for the passing of an old order.

The most significant event in recent religious history is the judgment visited upon the work of American churches in foreign missions. There is a saying that what Christianity does abroad is a barometer of what it is at home. In that case, the findings of the appraisal commission of the Laymen's Foreign Mission Inquiry have a comprehensive meaning. *Rethinking Missions*, the report of the commission, is a searching, unrelenting, though friendly, criticism of the work in other lands, and is accepted generally for its bearing upon the character and direction of spiritual labors in the United States. "This document," says William Ernest Hocking, chairman of the commission, "is from a body of Christians to a body of Christians. We are united in the love of Christ and in a passionate desire that His spirit should be known and spread in

this world, suffering, broken, sinful." The appraisal is true to that spirit, and credit for the good work is given where it is deserved. But no ungodly skeptic sitting in the seat of the scornful has ever brought more severe accusations against not only the practical inefficiencies and incompetencies but also the spiritual pride and narrowness of the sectarian-minded missionaries.

Those men and women who rise above blame are not a few, but as a whole the impression is that Christianity has disastrously failed. Pearl S. Buck has gone the way of many a true soul and friend of mankind for saying, with intimate knowledge: "I do not believe that Christianity has touched the average man in China any more than I made it appear in *The Good Earth.*" Her witness parallels that of the commission which spent two years in intensive travel and inquiry upon the fields of China, Japan, Korea and India. It was hard for them to write what they wrote, but faithful are the wounds of a friend in a holy cause.

Missions have not been the creative, inspiring and transforming force they were designed to be. The reasons are summarized from the report as follows: They have thought too much that their primary aim was the establishment of a church, that they were to proselytize and make good denominational statistics instead of permeating personal life and society with ideals. They have followed too closely the sectarian patterns which the missionaries brought from America. They have been more interested in doctrine than in life. They have not reached the students and the intellectuals. They have failed to exert an influence on city and rural life. They have not gathered into their churches those who are attracted to Christ. The several denominations are not sufficiently united in their approach to the common problem. The missions are still financially and spiritually dependent upon the American churches.

As this terrific appraisal was being published, the people in the churches of the United States were receiving the shocking reports of the financial situation of the missions. For five years the decrease in contributions of living donors has been disheartening. The figures of the American Board (Congregational), which has been distinguished for its broad and liberal leadership and is, all in all, in sympathy with the commission's findings, and has worked according to its principles in a high degree for many years, are fairly representative.

In the year 1927-28, the contributions from the churches amounted to $1,005,350; in 1928-29, $956,855; 1929-30, $934,489 (in this year the income was increased by the merger with the mission board of the Christian Church); 1930-31, $902,172; 1931-32, $775,444; 1932-33, estimated at $500,000. Here is a reduction of income of 50 per cent in a period of five years. The available figures of three other boards—the Methodist Episcopal, the Presbyterian and the Baptist (each of these faiths is also represented by a Southern household)—show a decrease in four years of approximately 40 per cent. This almost even decline of support is an index of the common attitude in American Protestantism. One can find no representative of any of the churches who will predict improvement.

What has occurred to the budgets of the boards working in other countries has also befallen the home mission field and all other church activities. A census of the congregations in the United States would undoubtedly show a 50 per cent decline in income in

the past four years. When giving began to show a slight decrease, there were those who took a cheerful view and thought it would be a good thing for the American churches to be chastened for their extravagance. They remembered the fate of the Interchurch World Movement, which yielded to high-pressure, big-business technique and forgot certain spiritual principles, only to come to grief and a disgrace from which unquestionably the churches still suffer. That fiasco, though there were certain social gains from its short-lived work, lies heavily on the minds of the leaders, but they do not speak of the present slump as a mere return to normal conditions. It is a disaster whose like has never occurred before.

The great change which has come to the local congregation and the struggling home mission is due, let it be repeated, to the same causes that describe and explain the fall of foreign missions. It is true that in outward appearance the churches may belie this opinion. With relatively few exceptions they are carrying on as usual. It is very hard to kill a church! A statistician reports that there are 216,000 churches in this country, not including those of the Jewish faith. During these depression years one bank in five has failed, one business organization in twenty-two (an apparent underestimate), one private hospital in forty-five—but only one church in 2,344 has ceased to function. But that comparison may mean little in actual spiritual vitality and usefulness.

For it is an astounding fact that there has been no increase in church attendance during these distressing years, and a general religious awakening has not come in the churches. "No matter how badly the nation has suffered," says an officer of the Federal Council of the Churches, who knows the facts, "it cannot be said that any large number of people have gone to the churches for solace. This effect has been the occasion of a good deal of comment, and I think it has been one of the conspicuous features of the depression."

Yet in all tangible factors, organized religion in the United States has reached an amazing maximum. But what is it all about? This is the question that comes searchingly from church leaders themselves, and not from the hypercritical earthbound dullards who probably know nothing of all these things. The denominations have hustled and bustled in the "bigger-and-better" manner of commercial and rotarian America. They have been superficial and good-natured, wasteful and shortsighted, materialistic and stupid, with a degeneracy in spiritual worth and efficacy which, if it could be put in figures, would make the money and membership totals fit for the judgment of the prophet of true religion and its beneficent works.

Surely one weakness of the church arises from the tenaciousness of sectarianism which defies all pressure for mergers of denominations. It has been the fond illusion of many church people that church union is going on apace. Actually there are twenty-six more denominations in 1933 than there were in 1906, when there were 186. For a century there has not been a single genuine union of two historically dissimilar churches in the United States. There have been absorptions of a weaker by a stronger church. The Christian Church, for example, was joined to the Congregationalists. There have been reunions of estranged members of the same faith, notably the several branches of the Lutheran family which have become the United Lutheran Church.

In a union of churches, as in marriage, there is a contribution of the distinctive character of each party and the formation of a new institution differing from either of its constituents. By this plain standard no real progress in church union has been made.

The numerical and financial growth of the churches in the two decades, 1906-26, may seem an unanswerable argument in favor of the manifold sects; but time changes all things. There will be no continuing growth in membership, such as the increase in that time, from 31,869,000 to 44,380,000. Nor will material expansion go forward at the astounding rate of the same period, when the value of church edifices rose from $1,258,000,000 to $3,840,000,000, representing an investment per member of $90 for churches free of debt and $10 for those not fully paid for. Contributions from members, which were $8.70 per capita in 1906, grew in 1926 to $18.44, an amount, if allowance is made for the difference in price levels, equivalent to $13.06. The number of Sunday school pupils has risen, according to the Federal Census of religion of 1926, from 14,686,000 in 1906, to 21,000,000, a growth relatively as large as that of the number in the public schools. This period of inflation has come to an end, in the writer's opinion, except in the Sunday school, where the children will still go for such teaching as it offers.

Today the churches make a follower of Christ sad; constituencies are a milling multitude with a pathetic want of reality and the most lamentable lack of leadership in the history of this country. A group of men in one of the greatest of churches are weighted with a sense that what has been considered practical is not practical at all. Either new basic beliefs must be laid down in a clear, affirmative and acceptable statement, they say, or the churches will die. They know the Roman Catholic Church will live because it is above everything else a faith; and for the same reason the Fundamentalists and the Christian Scientists are quite as sure to survive. But those who think they are going somewhere, who call themselves modernists or liberals, are simply pleasant and impotent. It is their influence which deadens religious power, for it has always been true that the supposedly more progressive minds have been influential in the temper and tradition of this country.

Religion is a faith, a body of doctrines. The inane talk about religion being not a doctrine but a way of life is quickly silenced when the question, Which way? forces one to choose and decide intellectually what principles to follow. All the great religious heroes, including the mystics, have been learned theologians. The notion that one may believe anything or nothing, so long as he has a kindly feeling toward other men and is ready to have federation of the churches and fellowship with people for its own sake, is a stupidity characteristic of a large part of American religion. That is what the Fundamentalists said in effect in their historic controversy of 1920-25. They did not win the day, though they did not yield their perfectly sound principle.

Today there is no clear voice in the great churches interpreting the new age in theological terms. There are teachers of philosophy and sociological investigators who are thinking, but for theology within the churches little or nothing may be said. A volume of short autobiographies of contemporary theologians gives one the unhappy impression that for the most part they have no deep, clearcut, intellectual convictions suited to the

people's spiritual uses, that they disagree with one another, and that—paradoxical as it may seem—they express a cohesive sympathy with one another which is probably the worst thing of all for its dulling effect upon minds that ought to make distinctions and say significant things, regardless of consequences.

A study of the ministry as a whole is most disheartening. It has always been a presumption that the parson is a learned person. As a matter of fact, compared with men in other professions, he is inferior in equipment. At a conservative estimate, three out of eight ministers in the white Protestant churches in the United States are not graduates of either college or theological school. In 1930 an inquiry by C. Luther Fry, a recognized religious statistician, disclosed the fact that among 71,500 ministers, 29,500 (41 per cent) did not claim to be holders of diplomas of either college or seminary. Only one minister in three in the white Protestant churches stated that he was graduated from both institutions.

Let us see somewhat in detail what the churches offer the community on Sunday morning. The great Methodist Episcopal Church has fifty-four in every hundred of its town and rural ministers, and twenty-eight in every hundred of its city ministers, who are not graduates of either college or divinity school. On this basis, consider the Congregational Churches with their intellectual background. They offer twenty-nine men in every hundred in the towns and country and fifteen in the cities without diplomas. Among Unitarians, who are regarded as incomparable intellectual leaders, not more than one-half of their 450 ministers have completed both college and seminary courses, and probably one-third of them have had most irregular and inadequate preparation. The Baptists in the North have sent out 43 per cent of their ministers to country churches, and 18 per cent to the cities without full training; the Southern Baptists, 70 and 30, respectively; the Protestant Episcopalians, 18 and 9; the Methodist Episcopal Church, South, 67 and 48; the Presbyterians in the North, 20 and 7; the Southern Presbyterians, 15 and 8; United Brethren in Christ, 67 and 43.

The best record is made by the Evangelical Synod of North America, with only five men in the country and two in the cities lacking both diplomas; the United Lutheran Church, six and two; the Reformed Church in the United States, seven and three; the Evangelical Augustana Lutheran Synod, seven and three. The Roman Catholic priesthood stands fifth in the whole list, with seven in 100 men in the country and six in the city lacking college and seminary certificates.*

Here are returns which are their own commentary on the organized agencies of religion in this country. The contrast between the almost fabulous sums of money spent on physical equipment and the low educational estate of spiritual leadership is appalling. Man-power is tragically negligible, and up to the present time there is no indication that the churches have any awareness of their recreant stewardship.

One more evidence of the plight of organized religion is presented by the church paper, once the flower of the denominational plant; its color and fullness testified to the health in the root and branch. But the flower withers. Is there a single journal of

*These numbers are not decimally accurate. For example, the Northern Baptist exact figures are 42.9 and 18.3. In all cases five-tenths of 1 per cent or more is counted as one; less than five-tenths is counted out.

any of the sects in the United States which is not in a precarious condition? It is not because the editors are incompetent, but because their sponsors, the responsible members of officialdom and the churches, offer no concrete and dramatic accomplishments to be described, and the former conclude, generally without knowing their own contributory dullness and dearth of inspiration, that the paper is not interesting or worth while. It certainly is not, except in a few cases of independent journals which keep their own souls. But if a church owns its organ, God help the religious journalism in that communion. Whether bond or free, the press of organized religion can only be as good as the good that is done, for it is news that makes the foundation of reader interest.

Many papers have disappeared, the latest being the *Baptist*, which represented, presumably, the more liberal thousands of its church. The Methodists reduced the number of *Advocates*, published in various sections of the country, from eight to four, and nobody wept. Other sheets have become mere bulletins. But the low level of church papers reflects the constituencies. Long before the stress came in finance, the printed word of organized religion was fading, and today the state of things in this once flourishing field for heralding and propagating the gospel and crusading for communal righteousness beyond the touch of venality is the worst in the history of the United States.

Of course, there is always hope. The anxious inquirer seizes on any fact which shows promise of better things. It is highly gratifying that the Federal Council of Churches, which has been wise above its constitutent members in many fields, gives first place in its review for 1932, *The Year Book of the Churches,* to a consideration of religious thought. Professor Henry P. Van Dusen says the great question now centres in the being and nature of God. Some ask, Is there a God? Professor Van Dusen, echoing Isaiah, believes the real question is, What is God like? A movement against all theistic belief has arisen in the past decade, and among its followers are men in many churches, notably the Unitarian. But the dominant faith is still in some kind of Deity.

Dean Willard L. Sperry has declared that liberal theology ends in humanism, but there is a deepening distrust, it is said, of liberal theology today, and a return to various forms of supernaturalism. No longer do the parsons cling to "the skirts of an Eddington" who caused some of them to believe he was reconciling science and religion—two things which can never be reconciled because they belong to different spheres and have distinct functions. Karl Barth is a throwback to a more revelatory principle than Calvinism ever was. The rise of Buchmanism in the so-called Oxford Group, with its Spirit-guided legions increasing among the converted men and women of the more favored social levels in many lands, is the fruit of this new supernatural emphasis. The case for a theology or science of religious values on the basis of fact and experience and reason, after the manner of William James and Auguste Sabatier, is weakened, so far as organized religion is concerned.

During 1932 a three-cornered discussion of the bald question, Is there a God? was conducted in *The Christian Century* by Douglas Clyde Macintosh, a traditional theist; Henry Nelson Wieman, who has been called an impersonal theist, and Max Carl Otto, a humanist. The outcome, so far

as changing any one's concrete beliefs, was not highly satisfying, but it did settle the point that one may be religious without believing in the traditional Christian idea of God, and it did revive an interest in metaphysics which is all to the good.

Another gain in open-mindedness in these recent years is the respectful recognition of the humanists. The rise of humanism in religion—very different in its more obvious phases from the so-called humanism of the cultural critics like Irving Babbitt and Paul Elmer More—is destined, says one theistic teacher, to sweep like a "hurricane" over the religious scene; a seminary president, Henry Sloane Coffin, calls it "the scourge of Christendom." Of its virtue (or virulence!) there is no question among those who follow after these matters and know their far-reaching significance in everyday thinking and living.

Certain it is that the attempts at mass movement in the churches have weakened in the past two years, and this is counted for good. Federations of churches are almost done. Church union interests fewer people. Religion is not at its best in crowds. There are varieties of human beings who require varieties of religious expression for their satisfaction and nurture and their good works. The church is more than a fomenting place for committees and meaningless meetings. It is "a retreat of the will into itself and into communication with its ultimate sources, * * * a process of recovering the sense of worth, and thus of re-creating and revitalizing the self." Religion is obligation; that which one conceives to be the ultimate ground and purpose of his existence is his religion. The quality of it, and the use of it in action, depends upon what one thinks. It begins to dawn on our day that there must be practical expression of conviction thus nurtured to save it from being anemic and futile, and this union of "back-stroke" and "outspoken," of worship and work, fulfills the principle of alternation in religion which will increase the transforming power over the individual's life and the social well-being.

Social religion will be more powerful because it will be religious as well as social. The spiritual ground of economic justice, taught by all the prophets and apostles, and supremely by Jesus himself, will come into its own, and the care of the poor—who have been synonymous with the people throughout history—will be the fruit of the idea that one of the highest obligations of organized religion is to prove the requirements of the material welfare of a beloved humanity. By that way alone will come the true unity of all religious people.

Is the inmost lack of the churches the mystical commonplace which we call reality, that something which peasant and prince alike sense with a faculty of discernment greater than the intellect? Many say reality is not in the sanctuary, as they also say no leaders are there. If that is true even in small part it is good that the call is back to the solemn ultimate, God. Last July, Pope Pius XI wrote an eloquent message to the world. He said "again and again in history God manifested himself and started the return to better things." One watched and waited. There was little published, even in the Catholic press, that showed belief in an intervening God.

If change and decay are all around, it may be a portent of life that makes all things new. In a long view, there is nothing here for despair. On the contrary, old faiths may yield to nobler ones. The past is witness that men have wrestled over problems, with the result, in part, that such

questions as the infallibility of the Bible, the validity of miracles, the uniqueness of Christ, the finality of Christianity and the damnation of the heathen, have all been settled to the satisfaction of many persons in terms different from those of an earlier day.

At last the problem is God. Probably it makes the real crisis. This subject causes more difficulty than all the others together. It is the last and the greatest. One school is faithful to the tradition. This position is admirably stated by Douglas Clyde Macintosh. The God of theism is "a Superhuman Spiritual Being, an essentially personal cosmic Power, an intelligent loving moral Mind and Will, great enough in wisdom and power and favorable enough to human well-being to do for man what man ought to do for himself but what it is infinitely desirable to have done and what man apart from a God cannot reasonably be expected to accomplish for himself."

Once, not long ago, this definition would have been hailed with accord. How is it today? Wherever one turns, one finds men distinguished for their services in the churches who have come to the parting of the ways. John Wright Buckham believes that "there is increasing dissatisfaction with conventional Christian theism." Paul Hutchinson says: "I greatly doubt whether any theistic argument now on the intellectual horizon will fully satisfy the examination of modern man." Father Francis P. LeBuffe, S. J., simply reporting what he finds, maintains that "God means anything today." As John Dewey sees it, "God of itself is the most colorless and indefinite word in the English language." A popular religious spokesman, Burris Jenkins, declares frankly: "We talk about God's commands, but in reality God makes no commands and never has. The Ten Commandments that we ascribe to God are the outgrowth of human experience as to what is wise and just and right between man and his fellow-man." Harry F. Ward reflects the religio-social drift in American Christianity: "To turn to God to do for us what we can do for ourselves is to invite a worse disaster through the weakening of our moral initiative and energy."

These ideas belong to this day. They by no means represent the majority of contemporary thought. But they are sincere efforts to arrive at reality so that religion may square with life. Up to the present time, the churches have divided and subdivided; that was inevitable in an approach to religion beyond humanity. Their conclusions in many details were of many varieties because they were the result of speculation about the vast unknown. Now the world wearies of division and strife, and it wonders how much the spiritual disputants are responsible for our agonizing woes. "Tell us what we can see for ourselves is fact and truth," one almost hears it say, "for that is good and enough for humanity, and it will unite us in one world-wide spiritual family." It seems that once again, by what John Milton called the "concurrence of signs" and the "general instinct" of holy and devout men, "some new and great period is beginning in the Church, even to the reforming of Reformation itself."

The Brake on Soviet Industry

By Louis Fischer

[Mr. Fischer is an American correspondent who has been in Russia during the greater part of the post-war period. He is the author of *The Soviets in World Affairs* and *Machines and Men in Russia.*]

Soviet Russia's major handicap is neither scarcity of food nor shortage of goods, but an absence of technical skill. The Communists lack just what Americans have in great abundance—skilled labor and trained engineers. The dearth of these will plague Russia for several years at least, and must continue to shape her domestic policies, for the simple fact is that the Soviets built so many gigantic enterprises during the first Five-Year Plan that now they have not enough people to run them efficiently. A universal truth has been discovered which might have been known long ago—it is easier to erect a plant than to operate one.

Economic progress in the Soviet Union will hereafter depend more on the availability of trained human reserves than on the supply of rich natural resources. The cultural backwardness of Russia and her retarded technical growth have commenced to tell. No longer is the emphasis on construction; rather is it on mechanical training. During the first Five-Year Plan the Russians' mad desire was to build, build, build. This year and in 1934 and 1935, their most urgent task will be to make use of what they have already constructed.

To appreciate the situation, one must realize the extent of Russia's backwardness. There are millions of Soviet citizens who have never used a telephone, who have never ridden in an automobile. A chauffeur jacking up his car to repair a puncture is an event, even in the metropolitan streets of Moscow, which will collect a crowd. There are whole villages without a single clock or watch. The average Russian youngster of today has never taken apart an old clock. The screw-driver and monkey-wrench are not his childhood toys. He does not breathe gasoline and hear automobile talk and see automobile advertisements on every side. He has no machine sense, no instinct for the mechanical. It is such a nation that has been called upon to carry out the most ambitious program of industrialization ever devised by man.

Much of the work in the construction of the Turksib Railroad in Central Asia was done by nomad Kazaks who had never seen a railroad before. Burly peasants straight from the plow are now employed to operate highly complicated machines imported from America and Germany. During the first Five-Year Plan approximately 5,500,000 individuals who had never worked in factories were absorbed into the Soviet industrial system. They were peasants from villages, women who came straight from the stove to the lathe, and youths just reaching maturity. In the light of Russia's unmechanical past, no one could expect these people to be efficient producers from the start.

The revolution is transforming Russia into a country of steel and iron. It used to be a country of wood. Some time ago, from my apartment window

in Moscow, I watched a group of working men erect some wooden booths and pavilions. They handled axes and planes with marvelous proficiency. With the axe as their only tool, they quickly converted a tree trunk into a perfectly quadrangular pole. Some of these poles they then cut into flat boards. Here and there they joined pieces of wood without nails or glue. They were most accomplished carpenters. Every Russian peasant can use the hatchet. As a boy he watched his father hew wood and build a log cabin for the family to live in. Work with wood is part of the tradition and habits of every Russian.

The machine, however, is new. He glories in it—it is his big new toy. And he frequently spoils it. There have been in many cases wilful sabotage in Soviet industrial units, but there have been many more cases of destruction by untrained fingers and minds.

This is one source of trouble, but not the only one. Lack of engineering and managerial experience aggravates the difficulty. Even in the United States it takes several months before a large, new plant is operating smoothly. In the Soviet Union it may take several years. The huge tractor factory at Stalingrad on the Volga was completed in 1930, but, despite its very modern equipment and the assistance of innumerable American mechanics and workingmen, it did not begin to function efficiently until 1932. The tremendous automobile works at Nijni Novgorod with an annual capacity of 150,000 trucks and passenger cars, likewise has had its "infantile diseases," as the Russians call these difficulties in starting an enterprise. The plant commenced to produce and then had to stop operations for a time while changes were made in management, in method and in the type of manufactured unit.

Every one of the Soviet industrial "giants"—and there are scores of them constituting whole cities—must pass and are today passing through this initial stage in which workingmen have to learn their jobs, in which engineers have to accumulate experience in what to most of them is a new venture, and in which the managers must get acquainted on the spot with the equipment and with the task which the government has assigned them. This educational and probationary period will, I estimate, last two or three years, and that is why, in the opinion of most observers, the Soviet Government, while erecting many small auxiliary factories and plants, will not undertake in the near future to build industrial enterprises of the dimensions of Magnitogorsk or Kuznetzkstroy or the Nijni Novgorod "Ford" factory.

How long will it take to master the problems of management? Stalin, according to rumor, recently stated in private conversation that it would be fifteen years before the Soviet nation learned to operate plants and run machines skillfully. If he did not say this, he might have, for such faculties are not acquired overnight. And yet progress in this field is so rapid as to be actually visible. It can be seen, for instance, at the Kharkov tractor enterprise, which is almost an exact copy of the Stalingrad tractor factory. Svistun, the manager at Kharkov, whom I have visited on a number of occasions, knew the Stalingrad plant as well as he did his own. He knew its history, its mistakes and its struggles. He benefited from them. Kharkov therefore avoided many of Stalingrad's "infantile diseases" and began to produce much sooner.

This is one of the great advantages of a nationally owned non-competitive

industrial system. As experience and training accumulate, they are passed on more quickly than in a country where each manufacturer must learn by his own errors. One may expect, therefore, that Russia will register speedy technological advances. Central control, moreover, has the virtue of enabling the Soviet Government to plan and to eliminate overlapping and waste due to competition and advertising. Yet this same centralization makes the whole system supremely sensitive to disorders in any one of its parts. Since the State owns and runs everything, each industrial unit dovetails closely with all others, and the bad effects of any blunder are quickly communicated to the entire structure. The human body reacts to an ailment in one of its organs or limbs; so, too, the Soviet national economy. A Communist, of course, would reply that in capitalist countries the coal industry likewise suffers when steel is depressed, and both are affected by inadequate transportation facilities. Yet the very duplication of bourgeois economy, despite its concomitant waste, guarantees a greater degree of flexibility by reason of continued production by one unit when its rival closes down.

The intimate interrelation of industrial plants in the Soviet Union encourages the familiar political game of "passing the buck." Recently, for instance, the Communar factory at Zaporozhie, which before the revolution manufactured rakes and hoes and now turns out large agricultural combines, fell behind its production schedule. The newspapers sent reporters to investigate. It was discovered that the Communar's output had risen steadily for several months, but that its combines stood unused in the warehouse because the motors, which are made at the Kharkov tractor factory, had not arrived. The reporters rushed to Kharkov. "Why do you hold up the combines the country needs for our next harvest?" they asked. "Because we had put in orders for 12,356 tons of steel during the last quarter and received only 6,140 tons." Here we get down to rock bottom. The steel industry was the weakest link in the Five-Year Plan chain, and all industries suffer sympathetically.

The Soviet leaders contend that if present weaknesses are accentuated by central control, future progress will be all the greater for the same reason. They argue, moreover, that they enjoy a special advantage in that they are industrializing at a time when the Western World has reached a high degree of technological perfection which Russia can borrow. The final Communist defense is this: "Notwithstanding our backwardness, we are relatively more efficient than the capitalist nations with their enormous losses from overproduction, periodic depressions and large-scale unemployment."

The Soviet Government, nevertheless, is painfully aware of the handicap which Russia's technical deficiencies impose on its schemes for industrialization. "In the period of reconstruction," Stalin has said, "technique determines everything." "Be masters of technique" is a slogan which I have seen on banners in innumerable Soviet factories and universities. At the January, 1933, session of the Communist Central Committee, V. Kuibishev, a member of the pivotal Politburo, said: "After establishing the basis for the technical reconstruction of our entire national economy, after a period of great capital investment, our main task now is to master that which has been built." Rudzutak, another first rank Communist leader, stated at a recent con-

ference: "An American steam shovel displaces 600 men. But with us an excavator at Bobriki displaced only fifty-eight men. Why? Chiefly because we have not conquered the technique of that steam shovel."

What do the Soviets propose to do about this dearth of skilled workers? Mechanical-mindedness, of course, is the product of the presence of more machines in a country. And more technique will inevitably follow the introduction of more automobiles, electric lathes, steam shovels, cranes, railroads, airplanes, clocks and so forth. But this process is too slow for the Russians. They therefore place maximum stress on technological education. Like everything else, this branch of life also had its Five-Year Plan. By 1933, the Soviet higher technical training schools were to enroll 70,000 students, but the newspapers proudly boast that in 1932, the number had reached 201,000. Accordingly, *Pravda* proclaims in a screaming headline that "the Five-Year Plan for the preparation of technical cadres has been overfulfilled three times."

The fierce tempo of industrial construction between 1929 and 1932 made this overfulfillment absolutely indispensable. The Five-Year Plan put a premium on the trained specialist and on the mechanic. In 1929 Russia had 57,000 engineers and technicians with university education and 55,000 of secondary grade. Four years later there were 216,000 of the one and 288,000 of the other. The newcomers had been passed quickly through the technical training mill, and the moment they came out they found jobs.

It is these young men and women who helped to execute the Five-Year program of industrial construction. Needless to say, their inexperience is reflected in the new buildings and in the commodities manufactured, but the loss is partially balanced by their enthusiasm and devotion to the Soviet cause. In this respect they far surpass the pre-war Russian engineer, as well as by their readiness to leave their desks, roll up their sleeves and do real manual labor. The old Russian engineer was a fine theorist and expert draftsman, but the imported American consultants detested him for his abhorrence of physical exertion, his impracticality and his aristocratic self-importance. The Americans, on the other hand, recognize the kinship which the new generation of rough-and-ready pioneering Soviet engineers has with the men who directed American industrial expansion.

The excellent characteristics of the latest polytechnic graduates cannot compensate entirely, however, for their lack of experience. This is especially true since the scarcity of skilled technicians forces the new engineers into positions of great trust and responsibility the moment they leave the schoolroom. Indeed, many of them are engaged by factories and syndicates while they are still studying. Such organizations then pay a stipend to the student in order to hasten and facilitate his education. An engineering student, it is important to note, is in at least one case out of two likely to be a workingman with a record of years of factory employment, who is now trying to add science to his experience. The Communists are thus consciously bridging the gap between manual and mental labor by combining both in the person of the much-pampered proletarian. This union of brawn and brain is and always has been one of the major aims of socialism. On these proletarian engineers depends the ultimate relief of Russia's technological famine.

Islam in Quest of Unity

By Robert L. Baker

[Mr. Baker, a former Rhodes scholar, has specialized in international relations and the history of the Near East, and has traveled in the Moslem countries. He is now a member of the editorial staff of this magazine.]

Nearly a generation ago Lord Cromer, who knew the Moslem world as few Europeans have known it, wrote the following obituary on a religion professed by 250,000,000 souls: "Islam is moribund, and its gradual decay cannot be arrested by any modern palliatives, no matter how skillfully they may be applied." If he were alive today it is unlikely that he would wish to change that opinion, for the disintegrating forces which he saw at work in Islam at the beginning of the century have operated more swiftly than he expected.

Yet many of Islam's leaders were not blind to these dangers, and even in Cromer's time they attempted to develop a sense of unity among the Moslems of all lands by inaugurating the Pan-Islamic movement. The adoption of this defensive measure testified in itself to the inadequacy of the waning Caliphate as a symbol of Moslem solidarity. Though the Pan-Islamic movement has persisted until the present time and still has many ardent and influential supporters it has accomplished little. The explanation of its failure lies in the fundamental anachronism of a universal religion in a nationalistic world. Islam has as many sects as there are in Christendom; there is as much dogmatism and far more fanaticism. Yet, while no realist believes that the Christian sects of the world could be united under any conceivable kind of leadership, and such visions have long since been abandoned, there are Moslem internationalists who continue to believe that their ideal will be realized through their own efforts, or through the long-delayed coming of the Mahdi.

Nationalism, however, is not the only factor making for disunity in Islam. The widespread area in which Moslems live, from Morocco to the Philippines and from the steppes of Siberia to South Africa, is not the least serious handicap. The Moslems are racially and linguistically diverse, belonging to practically all the Asiatic and African races and to many in Europe, and speaking several hundred languages and dialects. Moslem peoples, moreover, possess a great variety of indigenous traditions and customs which antedate their adoption of Islam, and they gain their livelihood in many diverse ways. Again, whether independent or in vassalage, they are accustomed to different forms of government. Western materialism, education and social conceptions, too, are having a profoundly disturbing effect on Moslem institutions and life. Finally, a multiplicity of sects divide Islam even in strictly religious matters on every point except the five simple "Pillars of the Faith." The first of these universal elements of Islam is the profession, "There is no God but Allah and Mohammed is his Prophet," the others being the ritual prayer, alms-giving, observance of the fast of Ramadan and, if practicable, the pilgrimage to Mecca.

Primitive Islam, like primitive Christianity, had a broad conception of its mission in the world. Neither the Koran nor the sayings attributed to the Prophet and his Companions drew distinctions of race or speech or color. Upon this basis of universality a theory of political unity was developed, and though in practice that unity has never been achieved, the orthodox have persisted through the centuries in believing that its realization merely awaited more favorable circumstances and stronger Caliphs. The awakening of national consciousness about a generation ago, first among the Turks and subsequently among the Arabs, Persians, Egyptians, Syrians, Indians and other peoples of the Moslem world has played havoc with the ideal. Today national loyalties are so strong among the Moslem peoples that all except the most intransigent of Sunni, or orthodox, theologians have abandoned the political ideal and are searching for some non-political formula that will serve as a symbol of Moslem unity.

Efforts in this direction have thus far been unsuccessful. Two Pan-Islamic conferences have been held but the attendance at both was neither representative nor official and the serious questions, like the Caliphate, were excluded from their agenda. Apart from suggestions for better care and protection of the pilgrims and the expression of concern about Arab problems in Palestine, the conferences accomplished nothing worthy of note. Permanent Islamic councils have been proposed, but none has been formed and neither the conciliar movement, which is foreign to the traditions of Islam, nor the Pan-Islamic ideal itself has aroused noticeable enthusiasm except in India.

If Pan-Islamism has made little progress, quite the contrary is true of its great antithesis—nationalism. At the outbreak of the World War Turkey was the only Moslem State that could be regarded as independent, and she was decentralized, shaken by defeat and trammeled by capitulations. Today there are seven Moslem States that can be called sovereign—Turkey, Persia, Iraq, Saudi Arabia, Afghanistan, Albania and Yemen. The first four are members of the League of Nations. In calling these seven nations sovereign the benefit of the doubt has been given to Albania, because her freedom of action may be reasonably suspected, and to Iraq, who has yet to prove her title. Yemen is a stable little State, ruled by an Imam of considerable ability, and Afghanistan seems well able to maintain her independence, though the Afghans appear to enjoy being courted by the British and Russians as Persia did until the coming of Riza Shah Pahlevi. Turkey, Persia and Saudi Arabia, however, are becoming stronger daily, thanks to leaders who possess military skill, determination and modern ideas regarding the importance of centralization, adequate communications and economic development.

Republican Turkey affords the most striking example of the success of nationalism in Islam. Even before the war the Young Turks had embarked on a program of Turkifying the Ottoman Empire. The attempt to impose their program on subject peoples gave an impetus to the Arab nationalist movement which had begun at about the same time. After the war, Turkey alone of the defeated nations refused to accept a dictated peace, which in her case would have partitioned most of Asia Minor among the victors. Under the leadership of Mustapha Kemal she succeeded in obtaining frontiers that included most of the true Turk-

ish population. There followed a series of typically nationalistic measures that aimed at making Turkey homogeneous in race, language and culture, and others to secularize law and politics. Minorities were eliminated, either peacefully, as in the case of the wholesale repatriation of nationals by the agreement with Greece, or else by suppression or expulsion. As recently as this year it was decreed that only Turks might engage in a large number of occupations, with the result that thousands of foreigners have been forced to leave the country. Racially, Turkey is today one of the most homogeneous of nations.

Nationalist States have always been sensitive on the subject of language and when the Turks set out to free their language of Arabic elements they were striking at one of the few influences common to all Islam. Arabic was the language of the Koran and of Islamic law and was used universally by the clergy and jurists throughout the Moslem world. But Mustapha Kemal had the Koran translated into Turkish, and required all Turks to learn the Latin alphabet and to use it instead of the Arabic. The traditional Moslem law was superseded by the Swiss code. In Turkish courts a witness now swears by his honor instead of "by Allah." Arabic has been replaced by Turkish in public prayers and in the Friday sermon. Turkish scholars are at present engaged in purifying the Turkish language of all Arabic words by substituting Turanian equivalents for them. Even "Allah" has been changed to "Tanri."

Religious reform had been decided upon by Mustapha Kemal and his associates from the beginning. The Moslem clergy had always engaged in political intrigues and had even stirred up the Kurds against the young republic. Drastic steps were taken to secularize politics and the Turks began at the top. The Caliphate was first stripped of its temporal prerogatives and then suppressed altogether as incompatible with Turkish nationalism. The *ulemas* were restricted to their religious duties and the religious orders, which had been an economic drain on the country, were suppressed.

Nationalist movements elsewhere in Islam—in Persia, Iraq, Saudi Arabia, Egypt and India—have proceeded more slowly than in Turkey because of different circumstances, but they have had the same effect in dividing the loyalty of the Moslem. In India, for example, nationalist sentiment has made possible the Hindu-Moslem entente in the struggle for self-government. Many prominent Indian Moslems have subscribed to the formula, "I am an Indian first, and a Moslem afterward." Moslem nationalist movements are thriving in Soviet Russia as semi-independent Soviet republics. In Palestine, where Moslem feeling in an exaggerated form would be expected, racial and economic rivalries between Jew and Moslem are at least as important as the differences of religion. It is significant that Moslem interests are in the hands of an "Arab" and not a "Moslem" Executive.

Pan-Arabism in fact, has stronger support among the Arabs than the Pan-Islamic ideal. This movement was nationalist in origin, but has become, and seems likely to remain, internationalist. Because of its racial and linguistic basis its prospects are brighter than those of Pan-Islam, but dynastic jealousies between Ibn Saud and the Hashemite rulers of Iraq and Transjordania, together with sectarian differences and diverging political histories in recent years afford little hope that a political consolidation of the Arab States can be achieved. It is not improbable, however, that some

kind of loose association with vague aims may be established.

The independent nations of Islam have received considerable publicity in Europe and America, but their importance in the Moslem world should not be overestimated. Only some 40,000,000 Moslems out of a total of about 250,000,000 dwell in them. Yet their example has stimulated the growth of nationalist movements among the vast Moslem populations that live under alien rule. As these Moslem States consolidate their positions and gain prestige in their relations with European nations their influence is certain to have an increasingly powerful effect throughout Islam in weakening religious loyalty still further.

The influence of Western education is playing an important rôle in Moslem nationalist movements. It is also throwing down a challenge to Moslem orthodoxy. Islam had nothing to fear from the traditional forms of learning, which were based exclusively on its own doctrines. From the influence of Western secular education, however, has come a threat to the integrity of Islam that is scarcely less dangerous than nationalism itself. Islamic intellectual circles today abound in skeptics, higher critics, reconcilers of the faith with modern science, reformists and modernists, all of whom are seeking by one means or another to purge the faith of superstition and illogic. Conservative Moslem leaders are aware of the dangers of education along Western lines, and stoutly defend the traditional drill in the letter of the Koran. They are fearful, and with good reason, that students trained in Western ideas will fall away from the faith altogether or else become critical of the ancient traditions and join one of the many modernist groups. Lord Cromer understood the conservative position when he doubted if Islam reformed would still be Islam. But looking at the educational struggle from the point of view of making the Moslem world a helpful member of the family of nations, one cannot help regretting that the most brilliant intellects of Islam have too long been dissipated in allegorical interpretation of the Koran and in defending this or that sectarian dogma.

The press, like secular education, has been a powerful agent in promoting nationalist movements and in fostering schisms. The Pan-Islam movement has a number of organs, but the greater part of the Moslem press is under sectarian influence.

Many of the social changes that have occurred in Islam in recent years under the influence of Western ideas are significant of a declining respect for time-honored Moslem traditions and even canons. This is especially true in regard to the position of women. In Turkey and Persia, for example, women may now divorce their husbands, and agitation for this right is strong among the women of some other Moslem lands. Polygamy, permitted in the Koran, has been abolished in some Moslem communities and is under fire in others. According to present Turkish law, a Moslem woman may marry an infidel, a union specifically forbidden by the Koran. Several of the independent Moslem States have made child marriage illegal, while it is, with the seclusion of females, also under attack by reformist groups in India. The emancipation of women, so contrary to tradition and even to Moslem law, naturally proceeds slowly where prejudice is strong, that is to say, in the greater part of Islam. But precedents have been established for breaking with the past; conservative Islam can delay

but it cannot prevent social change.

The greatest problem now agitating the leaders of orthodox Islam is that of leadership—of the Caliphate. It is not new, having been a source of dissension and schism since the day when the Prophet died without making any provision for a successor. Almost without exception Islam's hundred sects or more grew up over this question and many of them possess vast collections of polemical writings to justify their particular view of the rightful Caliph and his prerogatives. Since 1924 there has been no Caliph, and today, because of the lack of unity in Islam, a solution of the problem seems remote. Some Moslem communities are definitely opposed to the restoration of the Caliphate; the majority appear to be indifferent and only the Indian Moslems are evincing real interest in promoting the idea.

In 1922 the Turkish National Assembly deprived the Sultan-Caliph of his temporal power. Two years later it suppressed even the spiritual Caliphate. The office was immediately assumed by King Hussein of the Hejez, but within a few months he was driven from his throne by Ibn Saud, King of the puritanical Wahabi sect of Central Arabia. The Moslem world showed few signs of being outraged by Turkey's action, but protests from an Indian committee formed for the defense of the Caliphate drew from Mustapha Kemal a statement that was profoundly significant of the changing loyalties in Islam. The Ghazi wrote: "The age-long dream cherished by Moslems that the Caliphate should be an Islamic government including all Moslems has never been capable of realization. It has become, on the contrary, a cause of dissension, of anarchy and of wars among the believers. The interest of all, now more clearly understood, has brought to light this truth—that it is the duty of Moslems to possess separate governments. The true spiritual bond between them is the conviction that all the believers are brethren." According to this view Islam does not need even a spiritual Caliph.

But Turkey, bent on developing a secular national State, cannot be said to represent the view of the majority in Islam although her secular attitude appears to be gaining the adherence of many educated Moslem laymen. Influential groups hold that the Caliphate should be restored on a spiritual basis. This, however, implies reform. The conception of a spiritual Caliph is foreign to the traditions of Islam, which require that he shall possess the power "to bind and loose." In fact, according to orthodox Sunni writings, the Caliph's power is entirely temporal as the lay defender of the law, traditions and territories of Islam. Doctrinal authority and spiritual prerogatives are denied him. His position has been compared with that of the Czar in the Russian Orthodox Church or with that of the King of England as defender of the faith in the Anglican Church. The conception of a spiritual Caliph was devised by Russian negotiators to make the Treaty of Kutchuk-Kainarji in 1774 more acceptable to the defeated Turks. The latter were consoled by a provision which recognized the Sultan as the spiritual leader of the Moslems in territories which were made autonomous.

Moderate Sunni opinion holds that the Caliphate is a necessary instrument or office for the validation of canonical decrees, prayers and sentences of courts. Yet this view is none too logical because the Sunni Moslems regard as valid numerous decrees and prayers that originated when there was no Caliph or when there were several rival Caliphs.

In 1926 an All-Moslem Caliphate Congress met at Cairo under the auspices of the University of Al-Azhar. Most of the invitations sent out by the rector were unanswered, but it was attended by forty delegates, including clergy and laymen, who represented associations rather than Moslem governments. The congress deliberated behind closed doors and in its report recognized the obvious fact that there is little unity and much jealousy in Islam. The old political independence of the majority of Moslems and the old internationalism were gone. The disruptive influence of nationalism was conceded. It was asserted, therefore, that if a universal Caliph were to be appointed for all Moslems he would not possess the authority required by Islamic law and that such a Caliphate would be illusory. In such circumstances a restoration of the office was considered to be premature. The congress did recommend the establishment of a central committee to study the problems of Islam as a whole, and of committees in each Islamic country to advise the central body and execute its orders.

The Indian Committees for the Defense of the Caliphate have adopted a part of this program but advocate a return to the elective period of the Caliphs. They propose a Supreme Council of Islam and that the elective Caliph be only a delegated administrator. But opinions as to the composition and powers of the proposed council differ widely, though most of its supporters would limit its authority to religious matters.

As yet no council of any kind has come into existence. The truth is that the Islamic peoples are preoccupied with local problems. Even the Indian communities, which have shown the most interest in restoring the Caliphate, must reserve their strength for the contest with the Hindu majority in a self-governing India. Iraq and Saudi Arabia are busy consolidating their new positions in the world. Turkey is opposed to the restoration of the office. Persia holds to the Shiah doctrines and does not believe in a visible Caliph. Egypt is suffering from the depression and is occupied with internal politics and the perennial question of Anglo-Egyptian relations. The remaining Moslem peoples are either backward and subject to alien rule or else lack influence in Islamic councils.

Meanwhile, there is no lack of candidates for the Caliphate, foremost among them being Mohammed Yahia, Imam of Yemen; Said Idriss, Emir of the Asir; King Fuad of Egypt; the Sultan of Morocco and King Ibn Saud of Saudi Arabia. Jealousies among them are strong and none can count on much support beyond his own territories. Ibn Saud, perhaps the most logical choice, since he controls the Holy Cities, is respected by Moslems abroad for his vigor in protecting the pilgrims, but he belongs to a fanatical sect that is almost universally disliked in Islam because of its puritanical and iconoclastic beliefs.

In view of the forces working toward disintegration in Islam, it appears likely that the absence of tangible unity among Moslems will continue. Islam is unwilling to accept Mustapha Kemal's view that the true bond between Moslems is the conviction of brotherhood, considering it too weak. Yet Christendom, which has felt the impact of the same forces, cannot be sure that it is united by even that feeble link.

On the Agricultural Front

I—The Spirit of Revolt

By Lement Harris

[The first of these two articles describing, from different points of view, conditions among American farmers, is written by a Harvard graduate who for the past seven years has been specializing in agricultural economics. In 1931 Mr. Harris made a survey of the situation for Amherst College and has since been traveling again through the chief farming areas of the United States. A previous article by him, "What Hope for the Farmer?" appeared in CURRENT HISTORY for March, 1932.]

HOW can farmers organize? Spread over the country, from coast to coast, living on separate farmsteads, every factor, every instinct, would seem to keep them weak and isolated. Always, heretofore, each farmer has seemed to be thinking primarily about his own holding, which demands his close attention every day in the year. But now, under the pressure of acute distress, farmers are breaking all the rules. Instead of quietly going about their chores and raising food they are gathering in militant groups, ready to throw down legal barriers if the just rights of a neighbor seem to demand it. Signs indicate that they are beginning to prefer organization to farming. Perhaps the farmer as he follows his team up and down the long dusty rows, gaining a fourteen-inch furrow each round, is thinking of the American paradox of hungry people and "surplus" food. Today if you want to make a farmer angry you have only to talk to him about surplus food or surplus farmers. He looks with disgust at the business leadership which can find no way of feeding the unemployed with this surplus. That is why farm organizations are arising all over the country, calling conferences to unite wide areas on a common basis and laying plans for action.

The Farmers National Relief Conference, the first of these gatherings, assembled in Washington last December at the opening of Congress. To this extraordinary gathering, 250 delegates, in overalls, riding in trucks, came great distances, in some instances all the way across the continent. Each man was elected and financed by at least twenty-five farmers in his neighborhood. That farmers could become so interested in a four-day conference that they would hold meetings, get a truck and collect pennies for their delegate was something new. Even more extraordinary was the zeal of delegates who in cold weather would ride the weary miles from Oregon and North Dakota.

All this effort, expense and hardship had a simple purpose. Those thousands of farmers who sent delegates wanted to break down the barriers which keep them isolated. Aware that they are today paying for the privilege of raising food, they want to rally the great strength of their numbers behind a plan of action which will cope with their fundamental needs. This plan insists that foreclosures and evictions shall stop and that there shall be a moratorium on the impossible load of farm debts.

Every delegate at the conference

strongly supported the slogan "No Evictions" and loudly cheered the Nebraska delegate who described one of the first "Sears-Roebuck" penny sales. But when the debate on the proposal for a moratorium opened, there was some disagreement. A gray-haired Pennsylvania Dutchman gained the floor. "Folks," he said, "up to this time I have been with you. But now you are talking about not paying your just debts. I would rather lose everything than go back on my word. I have met my obligations all my life and I can't back this." From different parts of the floor many hands went up to challenge this position. The speaker was not criticized personally because it was realized that he was expressing an honest conviction, but all those who were present emphatically urged the need for a moratorium. Their arguments could be summarized: "It is not our fault that our income has fallen so tremendously. Today all our cash would only meet a part of our debts and we must keep some to buy necessities for our families. Our wives and children hold the first mortgage." At the end of the debate the Pennsylvania farmer rose once more to address a hushed audience. "I have been listening to what you say," he said, "and I now find that I agree with you. I therefore move the adoption of the moratorium." Through this man the voice of thousands of conservative American farmers could be heard altering life-long opinions which new conditions had upset.

Without embarrassment, but rather with an air of authority, these stolid men took their program to Congress and to high government officials, telling Congressmen and Senators of the misery on the farms and asking searching questions. One tall Lithuanian dairyman from Pennsylvania, whose greatest difficulty is his English, became excited when talking with Vice President-elect Garner. He locked his big finger in Garner's buttonhole and waved a piece of paper before his eyes. "Look at my milk check," he kept on saying.

Returning to the conference hall, the committees reported the promises and statements made by a score of Senators, Representatives and others. Unimpressed by them and realizing that they must seek their own solutions, the farmers elected a permanent committee from their number and adopted this resolution: "If our duly elected national Representatives and Senators fail as did the local, county and State authorities, then we pledge ourselves to protect our fellow-farmers from suffering and their families from social disintegration by our united action."

As the delegates went home across the country over a hundred different routes, they held meetings of the farmers in the communities where they stopped and called upon them to join the campaign against evictions. Soon the papers were full of stories of how crowds of farmers were preventing sales and saving hundreds of farmers from expulsion from their homes.

"Direct united action" is the slogan which has been transforming farmers into organizers, speakers, leaders. The happenings in Nebraska are fairly typical. Last September, the farm holiday movement crossed over from Iowa. A meeting at Freemont elected the first holiday officers and agreed "to direct the action of the Nebraska farmers against the moneyed interests that are threatening the farm population with immediate ruin." Soon the holiday farmers were stopping sheriffs' sales, returning confiscated machinery and holding organization

meetings in every section of the State. In six months 25,000 Nebraska farmers had signed the red card of the Holiday Association.

By February, five months after the organization had started, the farmers felt strong enough to call a State conference at Lincoln to bring pressure to bear upon the State Legislature. On the appointed day, 3,000 farmers came in from all parts of the State, being joined by a few from Colorado and Wyoming, 500 miles away. Arm-in-arm they marched with 500 city workers of Lincoln up the main street of the town, singing songs and carrying banners. The crowd surged into Nebraska's skyscraper Capitol and filled the great legislative chamber where both the Senate and the House had convened in a special joint session to meet the farmers. Galleries and aisles were crowded; from behind the great pillars of the chamber rows of intent faces peered out, while the overflow remained in the rotunda. The farmers' spokesman, Jess Green from Tilden, came forward and read the farmers' program in clear, slow tones. "We farmers declare ourselves disgusted and in revolt against the 'leadership' of international bankers and other business men who in their mad scramble for profits have reduced the mass of the people to their present conditions of distress. These bunglers are now attempting to make farmers foot the bill by seizing their homes and property. We declare that we stand united and ready to block these attacks whether they are against us or our neighbors." The farmers answered him with cheers.

When the farmers had finished, Acting Governor Jurgenson rose and declared that, though the date for introducing new legislation had passed for that session, he would rule that the emergency made necessary the introduction of a bill granting a moratorium on farm mortgages. "And I believe," he concluded, "that when this session adjourns the farmers of Nebraska will not be disappointed." Soon after the march of the farmers to the Capitol, Governor Bryan did introduce a moratorium bill which later became law. The bill declared that a state of emergency existed in Nebraska and that, under the police power of the State, a stay of action for two years was granted on all eviction or foreclosure proceedings. It added that if the mortgagee could prove "sufficient" cause, the judge need not order the stay.

Scarcely a week later, the first case came up. In Wilber, Neb., a farmer was threatened with foreclosure and applied at the court for a stay in accordance with the provisions of the new law. The judge, however, refused to issue a stay, although the mortgagee made no statement. By the day of the sale the news of the judge's action had spread through the countryside. In protest, 300 farmers surged into the sheriff's office, declaring that the foreclosure proceedings were illegal, but the judge swore in fifteen men as deputies and ordered a tear gas bomb to be thrown into the sheriff's office. The sheriff, meanwhile, had not requested the crowd to leave. Yet the bomb was thrown. Blinded by the gas, the farmers came flying out of the office, with the sheriff bringing up the rear. There was no return to the court house; instead, the farmers proceeded to a neighboring farm, where they held a wiener roast. On their way home, a few hours later, deputies' cars pursued them and arrested the leaders on charges of inciting to riot, later changed to contempt of court.

The arrest of these holiday leaders who were attempting to enforce the moratorium law aroused the farmers

of Nebraska and the neighboring States as nothing else could. Far from destroying the protest movement, as seemed to be the judge's intention, meetings for further organization and protest were held throughout the State. Even Sidney, Neb., 450 miles from Wilber, sent word that whenever the leaders would give the word truckloads of men would be ready to move on Wilber. At the moment this is being written, Harry Lux, one of the arrested leaders, is out on bail, pending an appeal, and is touring every section of the State. The watchword of Nebraska today is: "We're going to hang on to what we've got now. We'll support farmers and workers who are fighting our fights in other States. And we are going to run this State before we get through because we represent the majority of the population and we can't be stopped."

This attitude of disgust and defiance is spreading like a prairie fire. In North Dakota, farmers held a conference only a few weeks after the one in Nebraska. Again there was a march to the Capitol, but in Bismarck, since the Capitol has been burned, the State Senate meets temporarily in a theatre. The fifty members of the North Dakota Senate were surrounded by a crowd of 350 farmers. As in Nebraska, a farmer read the militant program which his group had adopted. "In a democracy," it concluded, "all power is rightfully ours. We propose to use it."

The reading of the program lasted about fifteen minutes, but during that time, by actual count, five of the fifty Senators closed their eyes and appeared to be asleep. When the reading was finished, the farmer chairman rose and addressed the Senate: "I notice that some of you listened to this program written by us farmers who have come distances up to 250 miles to present it to you. I also notice that some of the Senators closed their eyes and went to sleep. I now call upon the farmers here present to sing a song and wake them up." Thereupon they sang "Solidarity," a song which calls for the unity of all farmers and workers. The Senators looked startled, for these singing farmers clearly meant business.

In Iowa there has been more fighting because the stakes are higher. Here the rich black land is still salable at a deflated price, to be sure, but still high when compared with the wheat lands. Nobody has much incentive to be possessed of Western North Dakota's wind-swept farms, which are good for little else but the raising of more wheat, every bushel of which will represent a loss. That is why the revolt of the Iowa farmers has flared out in open battles. This is the centre of the strike which has been in progress intermittently throughout the Winter and which now is spreading over the nation. For many weeks last Autumn the highways leading into Sioux City were patrolled by picketing milk farmers who were determined to boycott the dealers. City workers came out to the lines and fraternized with the pickets; farmers established milk distribution points in the city and for three weeks the unemployed received an adequate amount of milk.

Recently the outbreak at LeMars, Iowa, created renewed interest in the farmers' plight. For four months farmers had been coming into town on the day set for farm sales. On that day every month they would fill the court room and listen to the court officer read off the list of several hundred farms which were to be sold. After each item he would pause and look around for possible bidders. But

the crowd in overalls with its grim smile was there to prevent sales. Only once has there been a bid. On that occasion when the agent of an insurance company tried to put in a sealed bid, the crowd rushed him from the court house amid cries of "Get the rope!" But the farmers agreed that neither the bid nor the rope would be used.

Then came Iowa's moratorium law, which, like that of Nebraska, decreed a two-year stay of eviction or foreclosure action and left decision to the discretion of the judge. The spirit of the law was clearly to stop action in all but undoubtedly exceptional cases. Judge Bradley of LeMars, however, ordered sales to be held as if the law had not been passed. The farmers, most of whom might be foreclosed at any time, had believed that this moratorium law was going to protect them. For months they had been struggling to establish the fact that this was no time to throw farmers out of their homes; it had seemed that their fight was won until Judge Bradley began to destroy the fruits of their victory. This was the provocation which led to his being dragged from the bench by a crowd of infuriated farmers and the Governor's being compelled to declare martial law in Northwestern Iowa.

In other States the same kind of militant activity is going on. Michigan farmers have called a State conference at Lansing on July 3-4. There, too, farmers have been arrested at sheriff's sales and the criminal syndicalism law has been invoked. However, since the particular county in which the trial is to be held is bankrupt and the court is not holding any sessions, the farmers are out on bail. As in Nebraska, farmers are holding meetings in every part of the State and organizing for united action.

There is hardly a State where new farmers' organizations are not springing up under a great variety of names but with a marked similarity in their programs. They call themselves Farmers' Protective Associations, Relief Unions, Home Owners' Leagues, Committees of Action, United Farmers, and so forth, but since all spring from a common distress, their demands are approximately the same. In general, they ask for: (1) A declaration that all foreclosures, seizures of property and evictions are illegal at this time; (2) a moratorium on farm indebtedness; (3) cash relief for certain distressed areas; (4) a drastic cut in the middleman's profits.

The first two planks are close to being realized. In many sections the campaign against evictions has reached the stage where farmers turn out to stop or control every sale that is ordered. In these regions nothing less than a large number of armed deputies or the militia can force through a sale and authorities hesitate to arouse a whole community by calling out troops. Moreover, farmers are planning to boycott the business of a mortgagee who pushes through a sale with the aid of guns and gas. No business man can afford to antagonize his neighbors, especially when the sale of a farm will in any case yield very little cash.

The moratorium on farm debts is now largely a fact, whether recognized by a statute or not. Farmers, however, want legal recognition so that the threat of foreclosure will be removed. Incomes are now so low that it seems ludicrous to hope to meet the $12,000,000,000 which the Department of Agriculture estimates as the present aggregate farm debt. Testimony given by the farm income expert of the department before members of the Interstate Commerce Commission showed that even in 1930 the average

income for all farms in America, after all operating charges had been met, was $175 for the year. "And what items is the farmer supposed to pay out of that $175?" a commissioner asked. The expert replied: "His clothing, groceries, sending a son or two to college every now and then." Since 1930 the figures of income show a steep drop, so that now it is a safe estimate that the average farm shows nothing clear for living expenses.

The demand for cash relief appears in those places where families have neither funds, clothes, nor staple supplies. A family thirty miles from Philadelphia has no sugar and coffee because the cow jockey, tax collector and mortgagee demand the monthly milk check. There are great areas in the South and Southwest where the collapse of cotton has left the dazed farmers without funds. In the past, the Negro and white croppers turned to their landlords for advances to buy groceries; now they are told that no advances can be made and that they must try to subsist on their patch of land. This means undernourishment and distress over a wide area.

The farmers' attack on the profits of the middlemen is based on the great difference between what the farmer receives and what the consumer pays. Wheat farmers realize that they are getting 5-6 of a cent a pound for No. 1 wheat while the consumer is paying 8 cents a pound in the form of bread. Dairymen obtain 2 cents a quart for milk after deductions are made for basic and surplus milk, but the consumer pays 10 cents. To the farmer it seems to be a fundamental injustice that profits for the middlemen have on the whole been maintained during this period of falling prices.

But how can farmers enforce a cut in the middlemen's spread? In most crops they face a few great companies with national affiliations which exert the controlling influence on the price structure. The farmer answers with a strike. In Iowa, Wisconsin, upper New York, and in York, Pa., strikes have occurred. This year, for the first time, there are plans for a national farmers' strike. But farmers state emphatically that this is not to be a starvation strike for the city workers. In Wisconsin they delivered food to hospitals and institutions. In Pennsylvania farmers preparing for a strike in the Philadelphia milkshed declared that the interests of the city consumers must be carefully guarded. In this region workers have supported the farmers at sheriffs' sales. In May a strike among the hosiery workers of Allentown, Pa., received the enthusiastic support of the farmers.

That is another of the great changes in the farmer's attitude. He is seeking allies in his struggle and he sees a powerful one in the city consumer. Many times the farmer has obtained a rise in price from the middleman which has usually been passed on to the consumer. Such a practice the farmer resents, for he believes it means a loss of market through raising the price to consumers and that it is being used as a bribe to betray the other great group in the population—the city workers—that is fighting for a fair share of the nation's wealth.

Throughout the land the farmers are growing more militant and determined. Many now feel that so long as 15,000,000 workers remain unemployed, there can be no real recovery. For this reason, in many sections the talk about a national strike is turning to a joint and general strike of farmers and city workers. The phrase of the Nebraska farmers expresses the new mood: "Disgusted and in revolt against the 'leadership' of business men."

II—The Dawn of a New Hope

By CHARLES M. HARGER

[Since 1888 Mr. Harger has been editor of the *Abilene Daily Reflector*, Abilene, Kan. He has been postmaster of Abilene, a bank director, has served on State commissions and is chairman of the State Board of Regents.]

WITH the Spring of 1933, a measure of hopefulness has come to the farm country. The producer, who has been in turn discouraged, resentful and, in instances, revolutionary, has halted to take stock of his position and, with the stiffening of the price level of basic products and the enactment of legislation setting up a new agricultural policy, he has visualized a return to his old-time financial stability.

As he reaches the end of the four-year period of acute stress, the farmer and his family find themselves in a new state of mind. They have undergone experiences not duplicated in this generation, involving not only drastically decreased resources and income, but ways and means of meeting untoward conditions. When wheat left the farm at 25 cents a bushel, far below any possible reduction of cost of production, the effect was to upset the family budget. The first impulse was to stage what was in effect a buyers' strike, to do without commodities, to wear the old clothing, to repair worn implements and make them serve. The country merchant felt the blow and trade languished to a degree that brought widespread disaster in the towns.

But this was not enough—the budget remained unbalanced. The bank was the next point of attack. If the interest were paid, the note itself could remain. Other far more important concerns than the farmer's were receiving moratoria—why not he? The banker could do little but acquiesce. He could not afford to enter on a wholesale series of foreclosures; neither could the mortgage company, and so it, too, extended leniency to the utmost. Thus far the farmer was master of the situation. He took some satisfaction in the thought that nothing could be done about it and that he was in a position to make his creditors wait.

Taxes came next. These had reached preposterous heights. New schoolhouses, new court houses, concrete roads and bridges, mounting salaries for teachers and all sorts of officials took an increasing toll of the farmer's earnings. The farmstead was assessed for more than it would bring in the open market. He determined to clean house along this line. The results have been startling. From the humblest school district to the State government, along the entire list of employes —janitors, firemen, Mayors, county officers, college faculties, Governors—nobody was spared. Appropriations in the Legislatures were curtailed by farmer votes; school teaching staffs were reduced in number and in salaries; one State went so far as to enact legislation compelling every taxing unit to do business on a strictly cash-and-carry basis—that is, it must issue long-term bonds for any obligations outstanding and thenceforth was forbidden to pay any salary or debt

unless a sufficient balance was in the treasury.

All this was born of a firm resolve to live within the means of the home and of the community. Some objected and charged that public service was being crippled, that education would suffer, but the farmer element was obdurate. Taken in connection with the reduced valuation of his property, the tax burden has been lowered 25 to 50 per cent in practically every taxing unit. Even bond issues, with their presumably fixed interest demands, have not been exempt, since in certain instances coupon payments have been delayed, even as in the case of realty mortgages.

The farm country feels that it has made a sound beginning. It realizes that when conditions improve there doubtless will be—and perhaps should be—a reversal of its close-paring policy, but it has a profound satisfaction in having had the courage to come down to earth, as it is frequently expressed, and to face the facts. Patently the farmer has been the greatest influence for readjustment. In the Legislatures and in town meetings he has said his say; he has refused to be led and, holding stanchly to his plan of retrenchment, has compelled action. This does not mean that there has been opposition from business or urban interests, for they, too, have been glad to decrease taxes, but the impetus has come from the rural districts, where for the past three years there have been earnest discussions of methods for keeping the inevitable overhead within bounds.

The farmstead has not been unhappy all this time. The frequent picture of the producer spending his days in wailing and suffering is too highly colored. There have been days and nights of worry, to be sure. Many a farm has been taken over by creditors; many a need has been unfilled, but on the whole there have been a morale and a self-reliance deserving of praise. The farmer is not ignorant of assets and liabilities; neither is he, as a class, inclined to blame somebody else for his own troubles. He knew when he mortgaged his homestead to buy more land that he was taking a risk. What he does resent is that the dollars he promised to pay were so difficult to obtain with products whose price sank to a market level unknown in this century. He regrets his inability to meet obligations, but is fully convinced that his creditors are better able to wait than he is to sacrifice hard-earned possessions.

Something more than arithmetic to lower costs of operation has been a part of his program. His social life has been affected, and, taken as a whole, he has had not only less pleasure for himself and his family than heretofore, but it has been of a much modified character. The new car has been foregone—repairs have made the old one serve. The pleasant habit of motoring to town to buy bread and cake at the bakery has been given up; home cooking has been resumed. More attention has been paid to the dairy and the poultry yard with surprising results in supplying essential needs. It has been found perfectly feasible to till and sow with horse power instead of tractor power. The picture show, even with reduced admissions, could very well be omitted, though it is notable that it yet has a considerable rural clientele. Group dinners, like the church supper, which were formerly served at 50 cents a plate, have given way to a buffet service for a third of that sum.

If any evidence were needed that the farmstead has maintained itself and that the family has been able to subsist without serious deprivation,

it can be found in the numerous sons and sons-in-law who, with their families, have returned from the city to a place where a square meal is always available. The farmer's family may limit its luxuries; it may regret loss of some easy spending, but it does have food and clothing and its everyday budget can be made to balance, unpleasant though the experience may be. The capital obligations may wait; the banker may be unpaid, but the larder has its supply, which is not always true in an industrial community.

The psychology behind the demonstrations staged in farm areas is not difficult to understand. Primarily it demands an audacious leader who, quick to seize upon a spirit of unrest, is able to induce the discouraged producer to undertake some method of retaliation for his fancied ill treatment. It must be clear that without a general movement—impossible because such leadership is local—no permanent benefit can result, even though temporary gain may be recorded. The "Buy Nothing, Sell Nothing, Pay Nothing" slogan has no appeal for the average producer. He is not uninformed as to national and world affairs. He has listened to every speech made over his radio; he has his newspapers and has discussed elementary economics at the schoolhouse and at the public vendue. He knows the fallacy of violence as a corrective of price levels and any indulgence therein may be set down to being more a sign and a symbol of resentment than a serious expectation of remedy.

But the farmer, despite his reading, the nightly outpourings of his radio, conversations with the local banker and occasional addresses by itinerant lecturers, is not exactly clear as to what much of the new farm nomenclature means. In relation to himself, the utterances of politicians regarding debenture plans, allotment plans, taxes on processing, the gold standard, currency inflation and similar topics have no very definite meaning. That is to say, the farmer considers economics from his personal point of view and his own situation. Thinking in terms of national movements is not his forte; above all, the farmer of mature years is naturally an individualist. When informed that some government official is to tell him how many acres of corn he may plant he begins to stiffen and to declare that he will run his farm as he sees fit. This was manifest when members of the Farm Board toured the wheat belt in the early days of that unfortunate experiment and told the grain raisers that acreage should be reduced or prices would fall. Not alone the producers but Governors and other statesmen replied that there was a God-given right to a man to plant as he would—and the acreage was increased and there was an added surplus of grain to depress the markets.

That lesson has to a degree soaked into the farmer's mind. He is more willing to listen to statistics. Three years of low prices have brought a softened attitude and it is likely that any system promising betterment will be received with gentler greeting than was the government's first effort. However, his very individualism evolved courage and faith and strengthened his grip on the factors at his command. He was determined to see it through somehow. That sounds like the story of a crusader, but after all many a farmer has resembled a crusader during these years of trouble.

Deep in the heart of the farmer are two desires—to pay his debts and to enjoy larger freedom in current ex-

penditures. Firmly is he determined that if once he can come square with the world, never again will he dream of notes or mortgages. It is a beautiful thought but that dream may return. As in the past, he will find opportunity at his door if he will but answer the knock. Maybe he will not incur capital debt in this generation —though that is not so certain—but at least in the next. The farmer has made his best profits on credit and in normal times can do so again—if he will keep within safe limits.

When he reviews the experiences of the past half dozen years he is fertile in explanations—but principally the deflation of his markets arouses his ire. He does not pretend to analyze the reasons though he firmly holds a resentment against the multitude of statutes which have not seemed to improve his position. Somehow he feels that the government, had it made proper effort, could have prevented the decrease in his income —regardless of the extraordinary attention Congress has given to agricultural problems for many years. Offhand he will tell you he is for inflation, but he understands inflation to mean only higher prices for his products, not correspondingly higher prices for manufactures. He has, however, a firm opinion that through inflation of the currency he can liquidate his debts and is certain that once that is accomplished he can manage affairs successfully. Such is the basis of the inflation movement in the agricultural States.

One factor frequently overlooked in discussing the problems of the agricultural area is that a new generation is well on the way to control of production. The youths of wartime are grown men and are taking the place of their fathers who were pioneers and early settlers. This group comprises a vast number of graduates of agricultural colleges; they are the backbone of the Farm Bureau organizations reaching into every county, promoting systematic methods of crop and stock raising. This group is not radical; it has been educated and trained in farm efficiency. The limitation of income, of course, affects its members as it does others, but they have found ways and means to combat the seepage of profits by waste and have developed new methods to improve marketing. Regarding the land as both factory and home, had they been in control during the days when price levels were high, there might have been a far more stable prosperity than was actually attained. Whether or not they are less liable to be led into land and cattle speculation and kindred dangers to the financial structure of the agricultural community remains to be seen. They have not yet been tested, but they do have the equipment which should enable them to chart a fairly safe course.

One influence for a steadier outlook and a better understanding of farm life has come through the necessity for family labor. In prosperous days, every farm had one or more hired hands. For three years the work of the farm has depended on the owner and his sons—and even upon his daughters, for many a farm girl has driven a combine or tractor plow with as much ability as a man. It has reduced expenses, has brought back something of the old-fashioned home life which well-nigh had been forgotten in the halcyon period of easy living. The closer-knit family life and the mutual dependence growing out of it is not to be despised as a basis for citizenship. When to it is added the constant impetus toward scientific management given by the

boys' and girls' clubs whose membership runs into the hundreds of thousands, it all makes for a more intelligent farm population. *Upon this younger group will fall the burden of carrying out the new agricultural* program embodied in the recently enacted Farm Relief Law.

Adversity has not changed materially the inborn individualism of the farmer who built the agricultural States. It was generally believed that under the stress of conditions he would be amenable to organization and cooperation and would present a united front in both economic and in political action. Nothing of the kind has happened. Cooperative marketing organizations have increased, to be sure; political action has been influenced by farmer sentiment, but the mass of the farm population still thinks and acts on its own.

The Non-Partisan League which a decade ago swept a farmer-managed administration into power in the Dakotas has declined; the Iowa uprisings and demonstrations have had but mildly interested observers in other farm States. The producer today is giving more time to studying soil-replenishment and better live-stock breeding than to passing resolutions. Strained finances have not brought any such agrarian uprising as has been frequently predicted. The average farmer is thinking in terms of his own problems and, though willing to join in any undertaking that seems likely to lift him out of debt and to a higher plane of living, he is not rushing madly after every self-appointed Moses who arises to seek a following.

Normally it is reasonable to expect that the producer, afflicted as he has been by so long a series of untoward events, would have a definite theory of what should be done to bring relief. With all his experience and study, he should be able to point to a possible path to plenty. He has no such panacea. When the farmer discusses *finance he deals in local conditions. He declares that the mill or the creamery, if it would,* could pay higher prices for his product, regardless of the fact that the mill and the creamery are probably borrowing more heavily than he. He knows there are such things as world markets, but the ungainly elevator at the railway station is larger to his eyes than the coast line of Europe. When he attempts to formulate a plan that might bring better live-stock markets, he thinks first of the nearest stock yards. For the most part he is convinced that if he were closer to the consumer he would thrive, and this has been the basis of some disastrous undertakings in the world of trade.

For years the farmer believed that the local merchant made enormous profits; in hundreds of instances, therefore, farmer-owned food stores, lumber yards and implement houses were established to distribute that fancied advantage among a rural proprietorship. One by one the ventures collapsed until few of these ambitious concerns remain. When the hopeful owners paid the losses they realized that every form of merchandizing demands special training and that the golden returns so confidently anticipated did not exist. Out of this experience, in which nearly every well-to-do farmer has at some time shared, ought to come a clearer understanding of the business world's risks, but the lesson, like others, is somewhat dimmed by the strained financial years through which he has just passed. So the local business man continues to be looked upon as a favored citizen.

Perhaps the theory most commonly enunciated is that price levels for products should be stabilized at a

point where profit would be insured. Yet, though basically the farmer is for price-fixing, he shies at control of production which necessarily accompanies such a program. In other words, he would have his cake and eat it, too—without any certain idea of the method by which it can be done. If he could be assured, he explains, exactly what would be the market for grain or live stock—particularly the latter—six months or a year ahead he could plan intelligently. Upon this he has a positive conviction and the new deal in agriculture, which he expects will bring about such a desired result, will be welcomed, provided it does not infringe too heavily on his right to manage his farmstead in his own way. The success of the plans in prospect will depend largely on the acquiescence with which he bows to the orders of Federal and State authorities.

He voices, too, a demand for a more stable banking system. Farmers have been stockholders and depositors in every rural bank that has suspended. The glamour of being on a board of directors has faded as assessments have been paid to keep the bank open or to meet losses after it was closed. The desire for a bank, or perhaps two, in every village is no more. What the farmer now wants is to keep out of the banking business and to have a depositary that he knows is safe and that has facilities to care for him when he needs capital to carry on special activities. But bankers may manage the bank; it is not the farmer's calling.

Thus, whatever the farmer's information as to world affairs and his comprehension of national policies, when it comes actually to setting up a plan for betterment he reverts to his immediate concerns and his local contacts, building whatever remedy he conceives upon such foundation. With his upbringing through the years and his habit of acting for and by himself no other course should be expected of him.

Nobody logically expects a return of farm prosperity by a miracle of a day or a month. The downward trend of farm values began in 1920. The worth of farm lands has decreased slowly to half the figures at the end of the war. The price level of products was declining long before the débâcle of three years ago. The burden of debt will continue many years and the income of the land must liquidate it from profits—after current needs are met, after replacements long overdue are made, after whatever possible rise in the scale of living is satisfied. But the picture is brighter. Since midwinter the markets for grain prices have increased nearly 100 per cent; live stock reached new highs for a year. Ahead is an experiment unique in the nation's life, intended to bring stability to the income of the producer and assure him of a profit on his undertakings. The farm debt is to be rewritten on more favorable terms.

Today it is a vision, a belief that the ebb of farm distress is past. The very fact that the vision and the hope exist has served to lessen the fear, long hanging over the farmstead, and to strengthen the faith of the owner. He is not foolish enough to anticipate a sudden lifting to riches. What he does desire and what he fervently seeks is a chance to make his own way by hard work and careful planning. That he has not had that chance for four years, no matter how long his hours afield, has been the basis of his grievance. Now he sees a light—an opportunity to rebuild his patrimony and thereby regain his self-respect as a solvent citizen, obtaining the comforts and pleasures to which he has a right.

Gomez: Dictator of Venezuela

By ROBERT NEVILLE

[The writer of the following article spent more than a year in Venezuela gathering material for a biography of President Gomez which will be published in the Autumn. Previously he had been for eight years a correspondent of *The New York Times* in Paris, Geneva and Madrid.]

NO dictator of recent times has had such a long or successful reign as General Juan Vicente Gomez who for nearly a quarter of a century has been the supreme and only power in Venezuela. He is, indeed, the dean of dictators, the dictator *par excellence*. Yet he has served as President for only about half the period of his long sway. His first term was from 1909 to 1913, his second from 1922 to 1928, when he retired, though retaining his position as Commander-in-Chief of the army. Then, at the age of 74, he was again elected President on June 19, 1931, by the unanimous vote of the Venezuelan Congress, for a new term of six years. Although that body was composed of his own hand-picked nominees, there was another reason than that for his being reinstated as Chief Executive with the formalities and red tape he abhors. He has indeed no desire to tear himself away from the quiet life he has always preferred on the extensive experimental farms which he has developed in the Aragua Valley about sixty miles from Caracas, the capital.

Other dictators have risen to power with the aid of armed force, but Gomez triumphed single-handed. In 1909 he was Vice President while the President, Castro, was in Germany under medical care. Castro will be remembered as the greatest international nuisance of the century. Having debauched Venezuela that he might satisfy his insatiable desire to dance, he repudiated the nation's debts and defied the powers of Europe. As the only sane element in the government of this megalomaniac, Gomez was invited to power not only by demonstrations of the public, but by whispered appeals of the plenipotentiaries of outraged foreign powers. When Gomez finally decided to act, he consulted no one and confided in no one. Strolling alone one Winter's morning to the barracks in the capital, in charge of which Castro had left his nephew as a precaution against any attempt at an overturn, Gomez arrested the nephew in front of the latter's armed followers. Then, returning to the Presidential mansion, he slapped the face of the first official who dared raise his voice in protest. This coup threw out of power all Castro's followers. Castro himself, when he rushed home from Europe, was not permitted to land. Gomez's official position did not change until the following May, when he was constitutionally elected President.

Gomez was in power, but his troubles had only begun. For a hundred years Venezuela had been torn by revolutions. It is said that there had been seventy. The people were bred to the idea of power by revolution. Each of the twenty States had their political families and political bosses. If one of them was not satis-

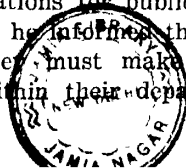
ed with the treatment he had re- ;ived from the government, he ·dered his followers to sharpen their achetes and start to march with him ı the capital. On the way they were ›ined by other malcontents or else y people who loved fighting for its ʌn sake. This system had almost ex- ıausted what little had been left by ıe revolution of independence in this ıce most prosperous of all Spain's ›lonies. Civil strife had kept the ›pulation practically at a standstill; ith an area of 398,594 square miles, enezuela even today has hardly more ıan 3,200,000 inhabitants.

General Gomez's reply to the men- ːe of immediate dissension was the *ausa Rehabilitadora,* the only polit- :al party which was to exist hence- ›rth in Venezuela, and a polite ulti- ıatum to all political aspirants that ıey could accept worthy positions in ıat party or take the consequences. /ith one exception, every man of olitical importance in the country nked his destiny with that of Gomez, nd without exception these men ːrved him faithfully. Andrade, a ›rmer President whom Gomez had elped Castro to depose, became Min- ıter of the Interior, the most impor- ınt member of the Cabinet, and ːrved Gomez in that capacity for ten ears. Andrade's son became one of ·omez's aides-de-camp and later a ›n-in-law. It was in this fashion that ·omez paved the way for his long ad- ıinistration.

There was only one problem that ·omez was not able to solve—the roblem of friends. The Constitution rovided him with five advisers, and he friends that he placed in those osts caused him more trouble than id all his enemies. Finally he ap- ealed to the president of the Supreme 'ourt, Dr. Pedro Arcaya, now Min- ːter to Washington, to help him. Dr. Arcaya changed the Constitution and abolished the posts of advisers. The friends were furious. Several of them went immediately into exile, and, from writing eulogies, they turned to bitter propaganda against the General.

Some five years ago General Gomez tried an experiment. He is an Andino, a native of the Andean Mountains, and for twenty years he had been carrying on the government princi- pally with the aid of followers from the mountain district which had borne him. Having decided to escape from the Presidency, he selected for that post a man who was representative of the centre of the country, Dr. Juan B. Perez, a lawyer of high social and professional standing in the capital. General Gomez gave him a free hand, stipulating only that he fulfill the pro- gram of the *Causa Rehabilitadora,* or rehabilitation cause, which he had laid down a score of years previously.

But in three years Dr. Perez not only spent the greatest aggregate in- come realized in the history of the government, but he drew $13,896,000 from the treasury surplus which Gomez had carefully built up. Faced with a sudden drop of nearly 50 per cent in the national revenue, caused by the curtailment of oil production and the general effect of the world- wide economic crisis, Congress became alarmed for the financial security of the country. Twice before they had voted for Gomez's return and he had refused. They voted again and made the appeal so pressing that he ac- cepted.

Within a fortnight of taking office Gomez had balanced the budget within the lowered income, using red ink to do it, but not cutting one penny from the appropriations for public works. Furthermore, he informed the Minis- ters that they must make further economies within their departments.

The result was a favorable balance at the end of the year of $3,500,000.

A year ago General Gomez's annual report to Congress showed that during the fiscal year the government not only had lived within its income, but had added $3,474,000 to the national treasury surplus. Not only was Venezuela one of the very few countries in the world with a balanced budget or a treasury surplus; there were no income taxes and the other taxes were the lowest in the world. Venezuela, moreover, had no foreign debt, although twenty-five years before she had had one of the heaviest per capita in the world and her President had caused a furor abroad by repudiating it. Gomez had paid it all, some $30,000,000, and at the same time redeemed all but $6,000,000 of the internal debt.

This year again, according to an announcement on May 1, the government is in a flourishing financial condition. General Gomez, in his annual address to Congress, on the convening of that body, stated that the government had continued to live within its income and had added another $1,000,000 to the treasury surplus, bringing that sum up to $13,500,000.

Gomez is by way of being an empire builder. He has given his country its first modern roads, nearly 4,000 miles of them, thus bringing about social and economic unity for the first time in its history. The two-day trip to the port that lay only six miles from the capital, across a mountain, he reduced to one hour; the three-month trip to the Colombian border was cut to three days; Calabozo, which lay in the heart of the great interior plains, a fortnight away from the capital, was brought within a day's journey. A country which had never seen an automobile in 1912 now has 30,000 speeding on its roads in every direction, interchanging the products of districts which previously had never been in communication with one another.

Other achievements are to be placed to the credit of Gomez. He used his dictatorial powers to force food prices down in keeping with lowered prices abroad. He prohibited certain imports and taxed others to reduce the country's unfavorable trade balance and restore the value of its currency. He inaugurated horse-racing and built new bull-rings in order to stimulate interest in the breeding of live stock. He gave his country excellent exterior communications. He put the army planes to work carrying the mails. And finally he ordered a desolate bay to be transformed within a year into a modern port, capable of receiving the world's greatest ships.

On the other hand, General Gomez has been accused of many injustices, but the truth about them is not likely to be known until after his death. If they are found to be real, they will no doubt have to be weighed against the great services he has rendered his country. Of one thing there is no question: he is a patriot. Moreover, he believes that he has a mission to the future for which Venezuela was destined before internal dissension stopped progress. Both his sincerity and confidence impress even strangers. His figure is a promise of fulfillment of his words. Only slightly gray and immaculately groomed even in khaki, his eyes menacingly alert, his jaw lean and his chin firm, dynamic even in repose, he showed, the last time I saw him, no more than sixty of his seventy-five years.

There is a feudal air about General Gomez's court at Maracay, where he has built a citadel at the commercial and military crossroads of the country, but he himself is patriarchal. It has been his task to rehabilitate

Venezuela, to push it across a gap of a century and a half of lost progress. In his eyes the population of Venezuela is one great family and he treats everybody as he does the members of his own family. That does not mean that all have the same opportunities that members of his own family have. Perhaps it might be better to say that he treats the members of his own family as he treats everybody else.

General Gomez sent one of his sons to prison for two years on the complaint of the father of a girl. He exiled another son for a year to a distant ranch for demanding credit from trades-people. He exiled his favorite son to Europe after he had trained him for twenty years to follow in his footsteps and continue the program of rehabilitation. He removed his half-brother from political life for five years because he had shipped gold to Curaçao during a moment of political uneasiness. He took from the keeping of his cousin all stores of arms and munitions when that cousin displayed a curious faculty for knowing whenever the General was physically indisposed. The same barrier of discipline and restraint separates General Gomez from family, friend and foe. No son, grandson or nephew would dream of taking a decision without informing him of it.

The moral ascendency that General Gomez has over Venezuelans is tremendous. Part of it is due to personal force, part of it to mental agility, part of it is legend. He was never schooled except in reading, writing and figures, and that was in the fields under the tutelage of his godfather while he watched the herds; but his brain has never been idle. Where book knowledge might have been stored, there is a deep knowledge of human nature, a tenacious memory for faces, of facts and of places. He sees everything and forgets nothing. When two engineers disagreed as to the point at which the Trans-Andean highway should cross a certain mountain range, he picked up a pencil and traced from memory a better route than either had selected. When Urbina, the would-be revolutionary, landed on the coast of Falcon with two hundred Mexican followers, Gomez directed the successful movement of his troops by telegraph.

The Gomez legend dates from his first campaign with Castro. According to the story, he awoke one morning and declared that he dreamed that the enemy were in force at La Puerta, the gateway to the plains where Bolivar was twice defeated, and that he had fought and defeated them. Scouts whom he sent out located the concealed troops; and Gomez attacked and defeated them. The popular belief in his possession of power approaching the occult is partly responsible for his success. But he owes much more to his long training of mind and eye, his constant observation, his careful study of problems and long consideration of details.

The infidels ascribe his success to luck. "The luck of Gomez" is a common expression in Venezuela. But he himself ascribes all success to Providence; and he never leaves his room without first praying to one of the several holy images that adorn the walls. Nevertheless, he believes the number thirteen is lucky; and his attitude toward trees makes one feel that he is superstitious. He has passed the most rigid laws governing the conditions under which trees may be cut. His national highways make astounding detours to avoid trees, and when the present home of his family was being built he had all the plans altered at the last moment in

order to save a small gardenia shrub which might easily have been transplanted.

Power has given General Gomez a royal bearing; but at heart he always is a herder. That is the reason he lives in Maracay. There he has turned thousands of acres of sugar land over to pasturage, and in these pastures he crosses the blooded stock of Europe and North America with the native breeds, determined to produce a type that will bring Venezuela, with her great interior plains, back to her rightful position among the world's great cattle countries. A century ago it was estimated that there were 10,000,000 head of cattle in the country. Then tick disease decimated the herds and malaria swept across the plains and wilted the hardy plainsmen. Today General Gomez is fighting both diseases. Cattle, too, is the reason that he fixed his private capital at Maracay. It controls the traffic to and from the plains just as it does the traffic to and from the Andes. He is building the new port of Turiamo for the same reason: the plains must have an outlet to the sea if they are one day to compete with the pampas of the Argentine.

When oil was discovered in Venezuela there was a great agitation to reserve it for national exploitation. But General Gomez thought otherwise. Cattle was the country's real business, its future. Oil was a gift from Providence; it should be treated as such and not made a national risk. Accordingly, he promulgated what American oil men term the fairest oil laws in history. These laws have brought $750,000,000 of foreign money into the country, and given it a prosperity never dreamed of before.

Gomez's enemies assert that all that he has done for the country he has done with oil. But that is patently untrue. During the ten years of his régime before oil was discovered he had paid off $9,000,000 of the national debt, spent $13,000,000 on public works and put $7,000,000 in the treasury reserve. To date he has spent nearly $200,000,000 on his rehabilitation program, which is almost twice as much as the government has realized from oil, directly or indirectly.

Yet Venezuela is still far from being a paradise. Gomez himself says that his work is only half done. So far he has given the country peace so that it may labor and means of transportation so that it may market the products of its labor. He also has given it freedom from debt which means freedom from taxes and greater profits from labor. With his experimental farms he is trying to show his fellow-countrymen how to realize a maximum from their efforts. He is encouraging them to improve their breeds by interesting them in racing. He is exhorting them to balance their crops so as to have a market for their produce in the interior of the country and reduce imports. He is protecting industries and is personally investing heavily in them. He has given the country the chance for a greater future than any other South American country except Argentina and Brazil. If the people avail themselves of this chance, Gomez's place in Venezuelan history will be second only to that of Bolivar. Perhaps the Liberator and the Rehabilitator will stand on the same level.

Whether personally good or bad, Gomez has unquestionably done good. It is fortunate for Venezuela that he had no schooling because, as he said in answer to a friend who tried to console him on his lack of book education: "If I had gone to school I would probably be a school teacher today."

Why Have Progressive Schools?

By JOHN DEWEY

[As a distinguished contemporary philosopher and the father of the progressive school in America, Dr. Dewey needs little introduction. Since becoming Professor of Philosophy in Columbia University in 1904, he has made many contributions to modern thought, one of his most recent books being *The Quest for Certainty*. His article continues the discussion of progressive schools begun by Claude Moore Fuess in "The Promise of Progressive Education" in April CURRENT HISTORY.]

ONE of the commonest charges brought against the progressive schools and schoolmasters who advocate modern methods is that they express the aims of their kind of education in vague and general terms. What they say sounds well, but what does it mean?

What is any education for? Let the reader try to answer this question. He will evolve a generalized formula much like those of the specialists. However definite his own picture of what he means may be, the words he uses will be capable of as many interpretations as he has listeners. This is as true of the statements of the aims of old-fashioned education as of those of the most advanced schools. Some of the shortest and simplest answers are: A preparation for life; to learn to live; to give the child what he needs, or will need, to know; to develop good citizens; to develop well-rounded, happy, efficient individuals. Can the reader point to any one of these and say with confidence, "This belongs to the new," or, "This rules out the new?" No, not of these, nor of any other definitions of the purpose of education. He cannot because the differences of opinion about what education should be lie, not in the purpose of education, but in personal views about people and society.

The purpose of education has always been to every one, in essence, the same--to give the young the things they need in order to develop in an orderly, sequential way into members of society. This was the purpose of the education given to a little aboriginal in the Australian bush before the coming of the white man. It was the purpose of the education of youth in the golden age of Athens. It is the purpose of education today, whether this education goes on in a one-room school in the mountains of Tennessee or in the most advanced progressive school in a radical community. But to develop into a member of society in the Australian bush had nothing in common with developing into a member of society in ancient Greece, and still less with what is needed today. Any education is, in its forms and methods, an outgrowth of the needs of the society in which it exists.

No one is surprised that the educational methods in Soviet Russia are different from those here. That other methods will develop in a Hitlerized Germany is easy to understand. Yet even within two such rigid and controlled societies as these two countries are at present striving for, there is and will be experimentation, discussion and difference of opinion among teachers as to the best methods of developing members of those societies. There will be satisfied parents and dissatisfied parents. There

will be happy children who like the schools and adjust to them easily, and children who do not adjust and whose difficulties are blamed on the schools.

The Australian aboriginal, the Athenian, the Soviet citizen, the Hitlerite had, or have, societies that can be defined in definite terms; the aims of which, whatever we think of them, can be recognized by any one. Accept these aims and there will be comparatively little difference of opinion about the kind of education that should be given youth in any one of the societies. In our American democracy aims have, until recently, been stated in terms of the individual, not in those of the society he is to be educated for.

In the early days of education in this country all that seemed to be necessary for the attainment of the ideals of democracy was to give every child an equal start in life by furnishing him with certain fundamentals of learning, then turn him loose and let him do the rest.

The little red school houses of the country were started with a curriculum that did just this and no more. Higher schools of learning were not thought of as general educational institutions, but as strictly professional schools where ministers, lawyers, doctors and teachers learned the technical facts they needed for the pursuit of their vocations. This system of education worked, not because it was an inspired program for assuring the workings of the ideals of democracy, but because life was simple and the country offered almost unlimited opportunity for the individual. Life centred in the home. There, or in a neighborhood shop where his father worked, the child saw the industries of the country being carried on—baking, canning, dressmaking, farming, carpentry, blacksmithing, printing, wheelwrighting and so on. There, by taking part in the daily life, he learned habits of industry and perseverance and imbibed his ethical and moral standards. The small homogeneous community life of the early days enabled him to learn civics at first hand, through seeing and hearing about the running of his own town. There were space, air, fields and trees everywhere accessible, so that his play needed no specialized facilities and supervision. The only opportunities that this sharing in the life of the home and the village did not offer were for "book learning"—the Three Rs. The child went to school to learn to read, write and figure. His life outside school gave him the rest of the training he needed.

Then life began to change. The things once made at home were now made in factories and the child knew nothing of them. The inventions and discoveries in science brought railroads, the telegraph and telephone, gas and electricity, farm machinery—a host of things about which one could not really know without far more training than was given by mere practice in using the finished product. Industrialization brought the big city, with its slums and palaces, its lack of play space, its sharp distinction between city and country. Finally it brought the automobile, the movies and the radio, with their enormous influence in taking the family out of the home and making even the little child much more part of the great world than had ever been dreamed of in the past.

These changes did not happen all at once. If they had, perhaps it would have been necessary to scrap the simple curriculum of the first schools and begin afresh with one that recognized all these new and tremendously dif-

ferent factors at once. Instead, what happened was that gradually, as one new need was felt, a new subject was added to the course of study. The simple device of teaching reading, writing and arithmetic through the medium of the new subject did not occur to any one. Even literature and reading, and penmanship and writing, became four separate subjects. The great increase in leisure and in the well-to-do classes made its contribution, too, to the number of subjects taught. Parents began to demand that schools teach some of the things that would enrich the use of leisure, some of the things that it would be nice to have children know, as well as the things that were necessary to enable the child to get along in the world. Thus art, music, dancing, French, and so on, were introduced into the schools. The growth of wealth and leisure also enormously increased the number of pupils in the schools of higher learning. Gradually the academy or preparatory school and the colleges ceased to be merely places for technical training and became places where one might go to go on being educated more or less regardless of what specific thing one was being educated for. And these schools, too, added more subjects to their curricula as the number of students and their demands increased.

Just as subjects were added one by one to the once-sufficient Three Rs, so the methods that had been adequate for the three continued and were used unchanged. When the child's educational life, in the larger sense, was lived at home, what he needed was practice and drill in the Three Rs, so that he could take them home and use them. So the new subjects were taught by drill, whether the home he would take them to offered any opportunities for their use or not. If these methods were not as successful with the new subjects, the fault lay not in the method but in the fact that because these subjects were new they were frills, lacking in the inherent disciplinary value of the old fundamentals.

The science of individual psychology began to develop after the enrichment of the curriculum was well on its way, so that the two developments went on in parallel lines touching almost not at all. The discoveries of the former about the way people learn, about individual differences and the interrelation of effort and interest, were unknown to schoolmasters, or were thought of as too newfangled for consideration. It was a little as if no one had been willing to put radios on the market because it was obviously an absurd idea that sound can be transmitted for vast distances through mountains and brick walls without special means like wires. And although these psychological discoveries are many of them as well established today as the facts of the radio, they are still temperamentally abhorrent to a great many schoolmasters and parents. A great many others are willing to admit them when stated in general terms, but feel the strongest emotional reluctance to giving children the benefit of them by applying them to teaching methods. In brief, these three discoveries may be stated as follows:

1. The human mind does not learn in a vacuum; the facts presented for learning, to be grasped, must have some relation to the previous experience of the individual or to his present needs; learning proceeds from the concrete to the general, not from the general to the particular.

2. Every individual is a little different from every other individual, not alone in his general capacity and

character; the differences extend to rather minute abilities and characteristics, and no amount of discipline will eradicate them. The obvious conclusion of this is that uniform methods cannot possibly produce uniform results in education, that the more we wish to come to making every one alike the more varied and individualized must the methods be.

3. Individual effort is impossible without individual interest. There can be no such thing as a subject which in and by itself will furnish training for every mind. If work is not in itself interesting to the individual or does not have associations or by-products which make its doing interesting, the individual cannot put his best efforts into it. However hard he may work at it, the effort does not go into the accomplishment of the work, but is largely dissipated in a moral and emotional struggle to keep the attention where it is not held.

The progressive education movement is the outgrowth of the realization by educators of the fact that our highly complex, rapid, crowded civilization demands and has been met by changes in school subjects and practice; that to make these changes effective something more is needed than simply the addition of one subject after another. The new subjects should be introduced with some relation to each other and the ways in which they operate and integrate in the world outside of school. It is also the outgrowth of the desire to put into practice in the classroom what the new science of psychology has discovered about individual learning and individual differences.

The kinds of schools, together with the methods used in them, which have developed from the desire to adjust the curriculum to society and to use the new psychology to increase the pupil's learning are numerous, almost as numerous as the schools themselves. When an individual or a group tries to adjust the curriculum to society, it immediately becomes necessary to formulate a conception of what that society is. What are its strengths that should be stressed in the schools, what its weaknesses that children should understand?

Is it a good thing to bring up the young with desires and habits that try to preserve everything just as it is today, or should they be able to meet change, to weigh the values and find good in the new? How much of the background and development of our civilization do children need to be able to understand what is in the world today? How much do they need to become cultivated individuals, able to enjoy leisure and carry on worthwhile traditions? The answers to these and many other questions and the skill used in translating them into practice will determine the kind of school. Both these factors will differ according to the temperament, beliefs, background and experience of the individuals who answer them. This to the writer does not seem to be an indictment of progressive schools.

In a world changing as rapidly as ours, in a democracy with so short a history to draw on for choice of the best ways to succeed, expression of differences of opinions by different kinds of schools is a wholesome sign. In developing anything new, it is a good plan to have different methods working side by side, to experiment, to compare. This kind of difference has nothing whatever to do with whether a particular school is a good school or a bad school, with whether children learn what they are taught and are happy and successful at school and at home. Nor does this mean that all progressive schools just

by the fact of being labeled "progressive" are good schools. It simply means that progressive education has not one formula, is not a fixed and finished thing about which it is legitimate and safe to make generalizations. It is as ridiculous to say that all progressive schools are good, as it is to say that the principles of progressive education are bad and unworkable because one school is poor, or because one child does not succeed in one school.

We are used to the faults of traditional schools, so used to them that when any difficulty arises we tend to lay the blame on the child or the home he comes from. There are, however, good teachers and bad teachers in traditional schools, and no curriculum, no matter how old, how cut and dried, how uniform it is, can possibly give a higher quality of output than the quality of the teacher who is using it. Probably nine-tenths of the violent criticism of progressive schools as progressive, that is so popular, would melt away like Summer snows if we would look at traditional schools as we look at modern schools, or if we expected only the same amount from them. A progressive school to escape damnation has to be practically perfect, has to give each child just what his particular parents think he should have, has to succeed with every child, if he is a genius or just average, if he is nervously unstable, if he changes schools every year, however queer or unadjusted at home he may be. A traditional school is not expected to make good unless the child fits in, conforms and raises no problems. Two instances of the kind of criticism that is commonly leveled at a progressive school and practically never at an old-fashioned school are the matters of learning to read and of discipline.

Some children are backward about learning to read. They either have great difficulty learning or are so slow about it that their parents begin to think they never will. When this happens in an old-fashioned school the child either gets "left back," and has to repeat the work of the first or second grade, or the school tells the mother that she will have to teach the child to read at home if he is to go on with his class. And without any special fuss every one assumes that there is something the matter with the child. When this happens in a progressive school the chances are that parents and friends immediately assume that it is the school's fault, that the school does not even bother to teach reading, or at least does not think it important enough to "make" the child learn; the child would of course be reading fluently long ago were it not for the school's lax methods. We know today that certain children have reading difficulties, due sometimes to eye peculiarities, sometimes to left-handedness, sometimes to other more obscure causes. The only way to tell why one child does not learn to read is often a rather elaborate examination into all these possibilities. Experience has shown that if the child is mentally normal he will learn to read anyway by the time he is ten or so, and that in after life it is impossible to tell these late readers from the children who teach themselves when they are three.

In the matter of discipline the progressive school is even more subject to attack. If a child misbehaves in an old-fashioned school, he is naughty and his parents meekly undertake to see that he stops giving trouble. If he misbehaves in a modern school, the school is spoiling him, it has no standards of conduct, it sets no store by those sterling qualities obedience

and orderliness. It is probably true that a progressive school seems disorderly to visitors who cannot imagine a school except as a place where rows of silent children sit quietly at desks until told to do something by a teacher. But modern education does not aim at this kind of order. Its aim is the kind of order that exists in a roomful of people, each one of whom is working at a common task. There will be talking, consulting, moving about in such a group whether the workers are adults or children. The standard for order and discipline of a group is not how silent is the room, or how few and uniform the kinds of tools and materials that are being used, but the quality and amount of work done by the individuals and the group. A different technique is required of the teacher in such a room from that required by a teacher in a room where each pupil sits at a screwed down desk and studies the same part of the same lesson from the same textbook at the same time. There are progressive teachers who have not mastered the technique. There are good teachers and poor teachers in progressive schools just as there are in traditional schools. But there is absolutely no scientific objective evidence to support the view that behavior problems are relatively more common in progressive schools than in traditional schools, or that the former are less successful in straightening out those that do arise than the latter.

Another common criticism of progressive education is that individual development and the training of special abilities or talents are stressed at the expense of learning social adjustment, good manners, how to get along with adults—that all progressive schools have a highly individualistic philosophy. If we confine ourselves to the philosophy, just the opposite seems to be the truth. It is the modern schools that have formulated their aims in definite social terms. It is they that are trying to work out some method of achieving harmony between the democratic belief in the liberty of the individual and his responsibility for the welfare of the group. A group of conservatives are already attacking them because they have expressed the belief that the schools have a responsibility to educate so that recurrence of present economic conditions will be impossible.

Individualism run riot is laid at the doors of modern schools, probably because it is these schools that first adopted teaching methods based on the new knowledge of individual psychology and on the recent findings about the growth of young bodies. To many the mere fact that children are free to move about, to seek help from others, to undertake pieces of work in small groups is taken as evidence that the aim of the methods must be to develop individualists, to let the children do as they please. These methods were, in fact, introduced because we know that physical freedom is necessary to growing bodies and because psychological investigations have proved that learning is better and faster when the learner understands his problem as a whole and does his work under his own motive power rather than under minute, piecemeal dictation from a boss.

Many others who grow up under the stern old adage, "Spare the rod and spoil the child," cannot bear, apparently, to believe that any more pleasant or congenial method of learning can possibly be good for the young. They cherish many vestiges of the old idea that children are little limbs of

Satan and that the only way to bend them to the uses of civilization is force and long training in doing things just because they are told to do them, regardless of whether or not the work is of any immediate use or interest. Without this training, they claim, one will never be able to see a difficult or dull job through to completion in later life. The strong moralistic bias that colors these views seems to make it impossible for their holders to see that in giving meaning, in his own daily life, to the work a child does, there is actually a gain in the disciplinary value of the work, rather than a loss. There is gain because the work is immediately valuable and satisfactory to the child. Therefore his best effort goes into it and his critical powers and initiative are exercised and developed. Moral and intellectual powers increase in vigor when the force of the worker's spontaneous interest and desire to accomplish something are behind them. This is as true of children as of adults. It is these powers that the progressive schools seek to release. If they sometimes fail, if they sometimes make mistakes, it must be remembered that their techniques are still being developed, that they are new. We should remember, too, that the time-honored and hoary techniques of the traditional school do not always succeed in teaching every pupil to extract square roots fluently, or to be able to push every difficult and wearisome task through to a triumphant conclusion. How much shirking and bluffing goes on in old-fashioned schools?

It is also frequently said that progressive methods may work with young children, but that when the high school is reached these schools are forced to give up their methods and go back to the old so that their pupils can pass college entrance examinations. It is true that college entrance examinations require the accumulation of such a vast number of specific facts that a great deal of drill and cramming is necessary if a pupil is to know enough answers to pass. This does not mean, however, that as children grow older the only way they can learn is by drill and cramming, or that progressive methods applied at the high-school age fail to educate. It simply means that to get into college a young person has to spend a great deal of time memorizing details so that he can answer a great many detailed questions.

Some colleges have for a number of years made exceptions in entrance requirements for the graduates of a few progressive schools. Reports are that these pupils have been able to carry on college work with records as good as, if not better than, pupils from conventional high schools. At present nearly twenty progressive schools have completed arrangements with almost all the accredited colleges and universities to begin, in 1936, admitting their graduates on other bases than the passing of the regular entrance examinations. The school will furnish a recommendation to the effect that the graduate has the necessary intelligence to do college work, has serious interests and purposes, and has demonstrated ability to work in one or more fields in which the college gives instruction. It will also furnish a careful record of the student's school life, including his records in the school examinations and his scores in various kinds of diagnostic tests. This will allow these schools to develop the curricula and teaching methods they believe best suited to the education of their students while they are in school, instead of forcing them to train for one spe-

cial event in the child's future. After a reasonable number of pupils, whose high-school studies were carried on under this system, have graduated from college we shall have an authoritative answer as to whether progressive methods can be used in high schools with pupils who are going to college. If the plan works it will probably do more to reconcile the public to the fact that change and experimentation are needed in education than any other one thing.

Meantime, change and experimentation will go on anyway because life outside the school is changing, because scientific knowledge of the nature of growth is developing, and because parents want things for their children that they did not obtain when they went to school. The real measure of the success of the progressive schools is the modifications that finally take place in conservative schools because of the experimental pioneering. Judged by that standard alone, the progressive movement is making good.

I have emphasized the movement rather than schools as schools. For by the nature of the case, the various progressive schools differ widely from one another, more widely than traditional schools that have only to adhere to well-recognized standards. But also by the nature of the case, the progressive schools have something in common. They all aim at greater attention to distinctively individual needs and characteristics. Hence they are pervaded by a great degree of freedom of action and discussion. Secondly, they all utilize the outgoing activities of students to a much larger degree than does the traditional school. In other countries, especially in Latin countries, their popular name is "schools of action." Thirdly, they aim at an unwonted amount of co-operation of pupils with one another and of pupils with teachers. The latter function as fellow-workers in the the activities that are going on rather than as rulers set on high. This fact determines the distinctive character of discipline in progressive schools. It is meant to be self-discipline as far as is possible, gained through sharing in work and play in which all have a common interest.

Within the limits of these three principles, there remain great possibilities of variation. But in spite of differences, their like elements sum up in the conviction that every worthwhile education is a direct enrichment of the life of the young and not merely a more or less repellent preparation for the duties of adult life. They all believe that life is growth, that growth, while it involves meeting and overcoming obstacles, and hence has hard and trying spots, is essentially something to be enjoyed now. That learning is not necessarily a disagreeable process is the discovery, or rediscovery, of modern progressive education.

Current History in Cartoons

Robinson Crusoe discovers he is not alone on the island
—*New York Herald Tribune*

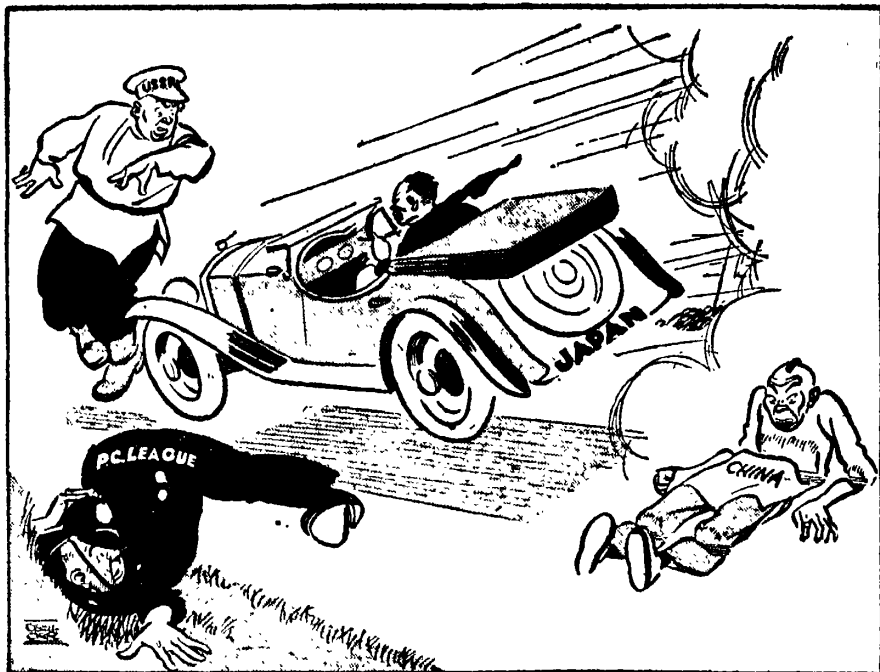
"You see, gentlemen—a perfect balance"
—*New York World-Telegram*

It's aging well
—*Boston Evening Transcript*

New member of the board of directors
—*St. Louis Post-Dispatch*

On the doorstep
—*News of the World*, London

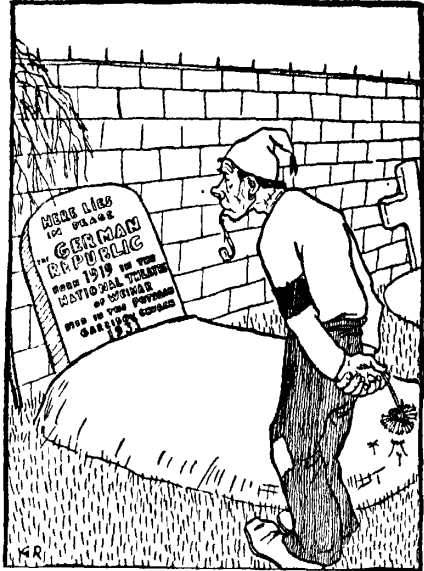
Grasping at straws
—*Newark Evening News*

Preparing for the World Economic Conference
—*Pravda*, Moscow

Speeding along

Glasgow Record

Stop!
—*Dallas News*

The duel
—*Pravda*, Moscow

Chains on his feet, but a medal on his breast
—*Daily Herald*, London

"I wish I could die as easily"
—*Nebelspalter,* Zurich

Building the German Emp..e (Let the other nations say what they like)
—*Kladderadatsch*, Berlin

A Month's World History

Roosevelt's Peace Message

With President Roosevelt and Chancellor Hitler as the leading figures, the drama of world politics during the past month produced a crisis as intense as any since the days before the outbreak of war in August, 1914. For the United States the action was significant in revealing in part the foreign policy of the new administration in Washington; to the new Germany of the Nazis it brought home the fact that they must cease forcing issues which might have their outcome in war.

As soon as the Disarmament Conference reassembled on April 25 the German delegation began to press demands aiming at the revival of Germany as a military power in opposition to the plans before the conference to transform existing armies into legitimate defense forces. The first serious collision arose on the question of whether such bodies as the Nazi Storm Troops and Steel Helmets and the Fascist militia of Italy should be counted as effectives in fixing the number of armed forces. The Germans, insistent on the equality in arms which the other powers, including the United States, had conceded in principle, proved obdurate, and the negotiations ended in a deadlock.

So acute did the situation become that Norman H. Davis, President Roosevelt's special Ambassador, found it necessary to address a warning to Dr. Alfred Rosenberg, Chancellor Hitler's chief adviser, when they met in London on May 9. Strongly disapproving of the stand Germany had taken and viewing with grave alarm the crisis she had precipitated, the United States, Mr. Davis declared, would never consent to any form of rearmament by any nation. Germany's new demand for military strength imperiled the very existence of the Disarmament Conference. Its collapse would profoundly disturb the peace of the world and Germany would be held responsible. Moreover, Mr. Davis told Dr. Rosenberg, failure at Geneva would jeopardize the prospects of the World Economic Conference. Emphatic British endorsement of the American stand was expressed later the same day when Sir John Simon received Dr. Rosenberg, and the following day Italy indicated that she was now turning against Germany and would support the United States, France and Great Britain in the crisis. The situation steadily grew worse, and on May 11 Baron von Neurath, the German Foreign Minister, in a newspaper article plainly indicated that whatever the result of the conference, Germany intended to rearm, while Lord Hailsham, the British War Minister, gave it as his personal view that if Germany broke from the Conference she would be liable to the application of "sanctions" under the Versailles treaty.

For a moment some observers saw a hopeful sign in the communiqué issued in Washington on May 12 in which Dr. Hjalmar Schacht, on behalf of Germany, joined with Presi-

dent Roosevelt in declaring that there could be no solution of the world's economic problems without military disarmament. But the same day, Joseph Paul-Boncour, speaking for the French Government, declared that it was now prepared to take a strong aggressive stand and join all the foes of the Nazi régime in an effort to crush it by peaceful means. He again spoke of publishing the famous secret dossier on Germany's alleged illegal armaments. There was also talk in Paris of preparing economic "sanctions."

The report of M. Paul-Boncour's statement and news from Geneva that the Disarmament Conference had decided that the Nazi Storm Troops and the Steel Helmets were part of Germany's effective military forces, were considered by the Hitler Cabinet that same day and seem to have provoked Germany to take the steps which brought the crisis to a head. This was the announcement that the Reichstag had been summoned for May 17 to hear a statement by the Chancellor on German foreign policy. As the Reichstag had on March 24 ceased to have any part in the shaping of Germany's destinies, only some purpose of an unusually compelling nature could have inspired its recall. The expectation was general that Chancellor Hitler would, in a tremendous outburst of rhetoric, declare that Germany intended to rearm without further ado and without regard to consequences. That clearly meant an act of defiance, a challenge that might destroy all hopes of pacification and recovery and bring nearer the possibility of war.

It was at this point that President Roosevelt made his master stroke. A suggestion had been made that the United States, Great Britain and *France should formulate a common policy and act in concert, but the* United States, as Mr. Davis told M. Paul-Boncour in Paris on May 15, was not ready to go to extremes and would not agree in advance to a joint statement condemning Germany because, until Chancellor Hitler had spoken, it would not be fitting to take a definite stand. Yet, as it turned out, it was by a highly dramatic move in advance of the delivery of Chancellor Hitler's address that the United States profoundly changed the whole situation. The event could not have been planned to be more arresting in its effect. Chancellor Hitler had chosen to use the Reichstag as his platform and invest his utterance with all the impressiveness that the pomp and circumstance of such an occasion would provide. President Roosevelt might no doubt have rivaled the performance by appearing in person before a joint session of Congress to deliver his message, but disdaining mere imitation, he adopted a more appropriate method by addressing the peoples of the world.

On May 16, therefore, not to the governments but to the rulers and heads of State of the fifty-four nations as representing their peoples, President Roosevelt sent an appeal which was not only among the memorable peace moves of our time but also significant in stressing the abandonment of the American policy of aloofness in world affairs.

Accepting in broad outline the disarmament proposals made at Geneva by Prime Minister MacDonald, the President urged all nations to abolish offensive weapons so that defenses would automatically become impregnable and frontiers secure. But to insure peace during the period of disarmament, all nations should agree not to increase their armaments, and

should enter into a solemn and definite pact of non-aggression, solemnly reaffirm the obligations they had assumed to limit and reduce their armaments, and, provided that these obligations were faithfully executed by all the signatory powers, individually agree to send no armed forces across their frontiers.

For the immediate purpose of forcing Germany to moderate her attitude, the important part of the message was the conclusion in which President Roosevelt, without mentioning Germany by name, warned her against the responsibility that would be hers in case of the failure of the Economic Conference and the Disarmament Conference. "Common sense points out," he declared, "that if any strong nation refuses to join with genuine sincerity in these concerted efforts * * * the civilized world * * * will know where the responsibility for failure lies. I urge no nation to assume such responsibility."

Apart from Germany, only two nations did not share the world-wide enthusiasm that greeted the message. One was France, because President Roosevelt had not explicitly accepted her demand for security, though subsequently, through Mr. Davis, the French Government was given to understand that the President was merely taking a first step toward erecting a new international structure of peace. The other nation that expressed reservations was Japan. A War Office spokesman in Tokyo declared that, because of the military operations in North China, Japan would be embarrassed by the suggestion that nations should abstain from sending armed forces outside their borders.

Whatever Chancellor Hitler originally intended to say on May 17 was undoubtedly revised to take heed of the American warning. Not only had *he been called into consultation by* President von Hindenburg when it was known that President Roosevelt was about to make a move for peace but the Chancellor also conferred with the Foreign Office and ex-Chancellor Bruening. There is no need to describe in detail the care that was exercised to make the meeting of the Reichstag in the Kroll Opera House in Berlin spectacular and exciting. To create the impression of a great historical event, every device of Nazi showmanship was employed, not the least theatrical being the two powerful spotlights that played upon the Chancellor as he spoke.

Although there was a certain amount of vehemence in his recital of Germany's grievances, the speech turned out to be quite conciliatory and even mild in tone. Germany did not want war and would not make war even if her righteous demands were refused. No new European war could remedy the present unsatisfactory condition. Germany's new régime was not a menace to peace. Her only desire was to be able to preserve her independence and protect her borders. She was the only nation whose fear of invasion could really be justified.

Germany, the Chancellor said, was ready at once to dissolve her whole military establishment and destroy her scanty remnant of arms if neighboring nations did the same. She agreed in the main to a transitional period of five years to establish her national security with the expectation that equality with other nations would then begin. For President Roosevelt's proposal Germany was "indebted with warm thanks." She was ready immediately to accept this remedy for the international crisis because she, too, believed that without a solution of the disarmament question no enduring economic recovery

was imaginable. Germany would at any time renounce aggressive weapons if the whole world also banned them, and she would join any solemn non-aggression pact because she thought not of attack but of security.

But, said Chancellor Hitler, the German Government and German people must not be compelled to sign anything that would mean perpetuating Germany's disqualification. Any attempt to overpower Germany by a mere majority decision in contravention of the clear spirit of treaties could be dictated only by the intention to force her out of the conferences. Moreover, as a nation under a perpetual stigma it would be difficult for her to remain in the League of Nations.

A sigh of relief went around the world as Chancellor Hitler's protestations of peace were made known. Yet the more realistic minds doubted if much reliance could be placed upon mere words. The question was, How would Germany now comport herself at the Disarmament Conference? The first answer to this question was reassuring. When the conference resumed at Geneva on May 19, Rudolf Nadolny, the German delegate, announced that Germany accepted the British draft convention as a basis both of discussion and for the future convention itself. Later he explained that Germany was now willing to discuss the gradual transformation of her professional army into militia and that she demanded equality in only those weapons which the conference decided were defensive and was willing to forego those which the convention termed offensive, provided the latter were completely abolished at the end of the first stage of disarmament. Thus far President Roosevelt had succeeded in bringing the Nazis to reason.

The change in American foreign policy that has been taking place under the new administration, first indicated by Mr. Davis's announcement at Geneva on April 26, when he declared that some security measures were necessary for disarmament, was again manifest in President Roosevelt's message of May 16, in which he proposed "that all the nations of the world should enter into a solemn and definite pact of non-aggression." But a fuller official explanation of how far the United States was ready to go in abandoning its attitude of aloofness in world affairs was given in an important statement made by Mr. Davis at the Disarmament Conference on May 22.

After pointing out that "the time had passed when each State should be the sole judge of its armaments," and that the Central Powers (Germany, Austria and Hungary) should not be "subject for all time to a special treatment in armaments," Mr. Davis said that, while the United States was not bound by the provisions or the implications of the peace treaties, it was the will of the American people, as interpreted by President Roosevelt, to join with the other powers in disarming "down to a level strictly determined by the needs of self-defense," in other words, "down to the basis of a domestic police force," and that the United States was prepared to exert its influence "to bring this about, not by theoretical statements of good intentions, but by decisive and progressive reduction of armaments through international agreement." The United States was aware of the difficulties due to political tension and was prepared "to aid in other ways than through exerting" its influence. What those ways would be was now explained. In addition to supporting, fully and wholeheartedly,

Mr. MacDonald's disarmament plan—the British draft convention adopted by the conference as a basis of discussion—the United States was prepared to take the step outlined by Mr. Davis in the following words:

"I wish to make it clear that we are ready not only to do our part toward the substantive reduction of armaments, but if this is effected by general international agreement, we are also prepared to contribute in other ways to the organization of peace. In particular we are willing to consult the other States in case of a threat to peace with a view to averting conflict. Further than that, in the event that the States, in conference, determine that a State has been guilty of a breach of the peace in violation of its international obligations and take measures against the violator, then if we concur in the judgment rendered as to the responsible and guilty party, we will refrain from any action tending to defeat such collective effort which these States may thus make to restore peace."

Finally, said Mr. Davis, the United States believed that "a system of adequate supervision should be formulated to insure the effective and faithful carrying out of any measure of disarmament" and was prepared "to assist in this formulation and to participate in this supervision."

Explaining the proposal in President Roosevelt's message of May 16 that armed forces should not be sent across national frontiers, Mr. Davis said that "in the long run we may come to the conclusion that the simplest and most accurate definition of an aggressor is one whose armed forces are found on alien soil in violation of treaties."

Germany was now mentioned by name in another important passage. After referring to the apprehension that she proposed to rearm, Mr. Davis added: "If at this decisive point any nation should fail to give conclusive evidence of its pacific intentions and insist upon the right to rearm, even though the other Powers take effective and substantial steps toward disarmament, then the burden of responsibility for the failure of the Disarmament Conference, with the incalculable consequences of such a failure, would rest on the shoulders of that nation."

The disturbed condition of Europe and the demand for security were dealt with in the following words: "As regards the action of the other powers we are not unaware in the United States of the political difficulties which still lie in the way of the reduction of European armaments. We recognize the legitimate claim which any State has to safeguard its security. But we are firmly convinced that in the long run this security can best be achieved through a controlled disarmament by which the military strength of the most heavily armed nations is progressively reduced to a level such as that provided for in the peace treaties. To the extent that armaments create political tension they in themselves constitute a menace to peace and may jeopardize the security of the very nations which maintain them."

Taken as a whole the statement made by Mr. Davis was regarded as a renunciation by the United States of its isolation policy and, in certain cases, of the freedom of the seas. It indicated that this country was prepared to take risks for the sake of world peace, and that it no longer considered itself unconcerned about the territorial and other dangerous issues which divide Europe. It was also generally felt that, while the statement was strong enough to induce

the French to assent to a disarmament treaty, it did not bind the United States to such an extent as to prevent acceptance by the Senate.

Nevertheless, the effectiveness of the American offer to abandon neutrality was seriously limited when the Senate Foreign Relations Committee on May 27 adopted an amendment to the arms embargo resolution before Congress. According to this amendment any Presidential edict invoking the arms embargo would have to apply to all the parties in the international dispute which it was to affect. This would practically prohibit the United States from taking action against the "aggressor" nation, and at the State Department the amendment was regarded as nullifying the undertakings Mr. Davis had offered at Geneva on May 22.

THE FOUR-POWER PACT

The Italian proposal for a four-power pact to insure permanent peace in Europe was not allowed to drop. This was largely because of British official urgings that the plan be pushed to a speedy conclusion. Thus encouraged, Premier Mussolini on May 20 held conferences with Sir Ronald Graham, the British Ambassador; Henri de Jouvenel, the French Ambassador, and Captain Goering, a member of the Hitler Cabinet. The result was that on the following day an agreement was reached for submission to the four governments. The pact, although differing in several respects from the original draft, retained all its essential features, but the provision that would make treaty revision a "possibility" seems to have been mainly responsible for the delays which at this writing have prevented the initialing of the pact. Poland immediately set to work to kill it, and it was not long before France in accordance with her ideas of security, was raising objections, although Premier Daladier in the Chamber of Deputies on May 23 stated that France intended to sign the pact. Two days later ex-Premier Edouard Herriot in an article in his newspaper, *L'Ere Nouvelle,* condemned the pact as "either useless or dangerous" and as contrary to the policy of the League of Nations. On May 26 the Radical-Socialist party, of which both M. Daladier and M. Herriot are members, refused to support the latter's stand. The Premier, however, admitted that there were dangers and omissions in the pact as contemplated and that negotiations for remedying such faults would be undertaken. The desire of the three other powers for changes in the draft also helped to delay the conclusion of the pact.

THE ECONOMIC CONFERENCE

While preparations for the assembling of the World Economic Conference proceeded satisfactorily, there were abundant signs of serious difficulties ahead. Behind the scenes discussions were in progress, particularly among representatives of the United States, Great Britain and France for the purpose of settling various disputes, so that when the conference met they would not cause unnecessary delays and perhaps lead to a deadlock rendering all effort futile.

One preliminary success was the conclusion of the tariff truce proposed by the United States. That proposal had been met with veiled hostility by the Conservatives who control the British Government. One purpose was to make use of the war debts as a bargaining weapon. Nevertheless, Mr. Davis on May 8 succeeded in inducing Walter Runciman, president of the Board of Trade, to accept for

submission to the British Cabinet a formula that would not frighten the protectionists, and next day Prime Minister MacDonald was able to tell the House of Commons that there was every prospect of an agreement. On May 12 the truce was adopted by Great Britain, Germany, Belgium, the United States, France, Italy, Japan and Norway. These eight nations joined in pledging themselves and strongly urging all other governments participating in the conference not to adopt, before June 12 or during the conference, "any new initiatives which might increase the many varieties of difficulties now arresting international commerce." Any nation might, however, withdraw from the agreement after July 31 on giving a month's notice. Reservations were also made to counteract currency fluctuations.

The British and the French both continued in their endeavor to force the question of war debts into the forefront. Though not a part of the agenda of the conference, the controversy was not going to be allowed to lie dormant, the more so as on June 15, three days after the conference was to open, further payments were due to the United States. It was expected that negotiations would take place for an agreement outside the conference, but at this writing President Roosevelt had not yet taken any step to obtain the requisite authority from Congress that would enable him and his representatives to discuss a settlement. Nor had he yet announced his wishes with regard to being invested with power to negotiate tariff reciprocity agreements or to raise and lower duties so that the United States would be in a position to bargain at the conference.

After a week of informal discussions in Berlin between Dr. Hjalmar Schacht, president of the Reichsbank, and representatives of the various groups of foreign creditors, it was announced in Berlin on June 2 that the German transfer problem and Germany's foreign debts would be brought before the conference, and pending their solution there the German Government would in the following week call for suspension of the transfer of service payments on the nation's foreign private indebtedness.

The first subject on the agenda of the conference is currency stabilization. Here again are serious—perhaps the most serious—difficulties to be overcome. On June 5 President Roosevelt signed the joint resolution of Congress abrogating the clause in all public and private bonds and other obligations pledging payment in gold of present fineness and weight. Although this step led to accusations of repudiation, it was defended as a necessary measure to strengthen the embargo placed on gold exports on April 19, when the United States was definitely taken off the gold standard and the dollar was left to find its own level in foreign exchange. Despite the efforts of the British Treasury and the Bank of England by use of their exchange equalization account, which was recently increased to £350,000,000, to keep the pound down to a level between $3.40 and $3.50, the effect of America's abandonment of the gold standard was to force it up, so that at the end of May the pound was fluctuating at about $4 and nearly all other foreign currencies had risen in terms of the dollar.

Since exchange values of the different national monetary units affect the prices at which goods can be sold, the United States, by going off gold, deprived other countries of the advantage they enjoyed before the dollar depreciated in international ex-

change. Although no official admission has been made that the United States wished to add to the weapons with which it could bargain, it was generally understood that such was the purpose, and that thereby this country was protecting its international economic interests in the controversies that were expected to be waged at the Economic Conference. Many economists and financiers, both in America and abroad, have consistently urged that the first measure that should be adopted for world recovery is currency stabilization. But it is significant of the American attitude that the relationship between these two things was reversed in a statement which Professor O. M. W. Sprague of Harvard, former adviser to the Bank of England, who was recently appointed financial adviser to the United States Government, made on taking up his duties in Washington on May 24. "Currencies," he said, "cannot be stabilized until economic conditions are stabilized. We are working toward that end. The currency of one country cannot be stabilized unless other currencies are put in order. The program of stabilization is part of the large and general program. We can work toward stabilization of economic conditions and stabilization of currency. In other words, stabilization must be developed."

As the time approached for the opening of the conference there were in all the leading countries of the world doubts and misgivings as to its success. One reason for this pessimistic frame of mind was the divergence between American and British interests and aims which are analyzed in the article, "Anglo-American Economic Issues," on pages 399-405 of this magazine. But even if those difficulties seemed insurmountable, there were still other directions in which the United Sates might exert its influence to bring about better economic conditions. And so President Roosevelt continued the conversations with the representatives of the foreign countries who visited Washington after Mr. MacDonald, M. Herriot and Prime Minister Bennett of Canada.

It was President Roosevelt's desire to make the American delegation to the Economic Conference representative of both parties, but with the exception of Senator Couzens all the Republicans he invited refused. As finally constituted the delegation consisted of Secretary of State Hull, chairman; James M. Cox of Ohio, vice chairman; Senator Key Pittman of Nevada, Senator James Couzens of Michigan, Representative Samuel D. McReynolds of Tennessee and Ralph W. Morrison of Texas. William C. Bullitt was appointed executive officer, James P. Warburg, financial adviser, Fred K. Neilson, legal adviser, and Herbert Feis, chief technical adviser. The other technical advisers were Victor S. Clark, Edmund E. Day, George C. Haas, Frederick E. Murphy, Charles W. Taussig, Benjamin B. Wallace, Frank A. Delaney, Henry Morgenthau Sr., Harry C. Hawkins, Henry Chalmers, Rexford G. Tugwell, James Wilson, Leslie A. Wheeler and Walter R. Gardner. In addition the delegation had with it James C. Dunn as its Sectary, Walter J. Cummings as assistant to Mr. Hull and Edward Bruce as assistant to Senator Pittman.

American Recovery: First Phase

By E. Francis Brown

THE fearlessness of the Roosevelt administration, its willingness to experiment or to override precedent, has been steadily manifested in the pursuance of its several policies. During the third month of its life, foreign relations tended to obscure the steady development of domestic policy and the general business recovery until the sensational investigation by the Senate Committee on Banking and Finance into the affairs of the House of Morgan caused the country to forget everything except the revelations of practices behind the doors of the greatest temple of American finance. These apparently separate features of the month's news were more closely related than might appear.

While the details of the present government's foreign policy have not been indicated, its general philosophy seems to be based upon common sense, upon a facing of realities without chasing after any will-o'-the-wisp of tradition. Behind the moves already made on the international chessboard lies some of the old American idealism that seeks to end international strife, to bring about a happier society of nations. At the moment that idealism is directed particularly toward the restoration in some degree of the international trade which before 1929 was a factor in the world's economic health. If such aims are realized at the World Economic Conference or in separate negotiations with other countries, it is difficult to see how the policy of economic nationalism, as embodied in the administration bills passed by Congress, can ever be carried out. Perhaps here again is the realistic view of the President, who intends to have more than one arrow in his quiver in case the first does not find its mark. Within the administration itself there are conflicting outlooks—nationalism versus internationalism. The latter will have its day in London, but if it fails, then we can expect that nationalism, as represented in the emergency legislation passed by Congress, will reign supreme.

The task of coordinating American life, as described in these pages last month, has moved ahead with the signing of the Farm Relief Act, the Muscle Shoals Act and the law for the Federal regulation of the sale of securities. The final and most far-reaching bill now pending is the administration's National Industrial Recovery bill, one of the most revolutionary legislative proposals in American history. The Black-Perkins bill for the regulation of industry and the condition of labor (see June CURRENT HISTORY, page 335) never had the whole-hearted support of the administration and was superseded on May 17, when the President sent to Congress the draft for a national industrial recovery act.

As introduced in both houses, the bill would confer upon the President power to set up machinery for "a great cooperative movement throughout all industry in order to obtain wide re-employment, to shorten the work week, to pay a decent wage for the shorter week and to prevent unfair competition and disastrous over-

production." The bill would permit the suspension of the anti-trust laws and the drawing up of new codes for fair competition with the safeguard that in the President would rest the right to license business enterprises in order to "meet rare cases of non-cooperation and abuse." Linked to the bill, also, was a public works program of approximately $3,300,000,000 for unemployment relief.

To industrialists, who with strange accord hastened to support the proposed legislation, the most attractive feature of the bill was the promise of suspension of the anti-trust laws and approval of trade associations, which for years have led a troubled existence. So it was that, almost immediately after the introduction of the bill, trade associations up and down the land met to draft codes of "fair competition" and to plan for cooperation with the government in carrying out its program.

Possibly industrialists reckoned without their host, for it would still be for the President to decide upon the fairness of a competitive code and to prescribe a different one which he might consider more desirable, fixing at the same time "maximum hours of labor, minimum rates of pay and other working conditions." Since the bill allows business to combine in trade associations, it is difficult to see how a thorough unionization of labor can be prevented by the industrialists, because throughout the proposed law labor rights are explicitly protected. It was the realization of this fact which underlay the opposition to the bill by the National Association of Manufacturers. If carried out to the fullest extent, the bill would permit a greater regulation and control of industry than has ever been seen in a capitalist economy. Possibly industry does not expect that such control will be exercised; otherwise it would certainly be difficult to understand the unanimity with which one trade group after another joyfully prepared to deliver itself into the hands of its old enemy—government supervision. Only the National Association of Manufacturers adhered to its traditions and opposed the bill. But if the bill becomes law, its effectiveness will be limited unless the country is protected by adequate tariff barriers; these would conflict with the foreign policy of the administration.

The National Industrial Recovery Bill was reported to the House on May 23. Attempts had been made to amend it in committee so that Federal control of the oil industry would be possible, but in the absence of any definite insistence from President Roosevelt the bill was reported without fundamental alteration. As introduced, the bill had left to Congress the method for raising revenue to pay interest and amortization on the funds expended in the public works program. The President suggested that whatever taxes might be imposed for this purpose would probably not be needed once the Eighteenth Amendment is repealed and the liquor traffic restored. Meanwhile, the House Ways and Means Committee approved an increase in the normal income tax rates, their application to corporate dividends and a higher levy on the refining of gasoline; certain special taxes imposed a year ago were continued. Though there was much opposition to higher income taxes and many Representatives preferred a general sales tax on manufactures, the income tax provisions were accepted by the House when, on May 26, it passed the bill by a vote of 323 to 76. In the Senate the bill encountered real

opposition, so much so that on June 5 its ultimate fate was uncertain.

Though the National Industrial Recovery bill held the limelight, two other bills which would directly affect economic life were pending—the Glass banking bill and the administration bill for regulation of the railroads, (See June CURRENT HISTORY, page 336). The Glass banking bill, which passed the Senate but died in the House during the last Congress, was again passed by the Senate on May 25 and sent to a conference committee, since a similar bill sponsored by Representative Steagall had been adopted in the House a few days earlier. But the Glass bill, which had seemed drastic when first brought before the public, many months ago, had been revised until it satisfied no one; certainly its passage had not been facilitated by administration support. The most controversial provision — one which disturbed conservative bankers —would create a Federal bank deposit insurance corporation for the insurance of bank deposits. The corporation's capitalization of $150,000,000 would be subscribed by the Treasury, the Federal Reserve Banks and the member banks. The bill also would prohibit interlocking directorates between commercial and private banks, would prevent private banks from doing both an investment and deposit business and compel commercial banks within one year to divorce their security affiliates. National banks would be allowed to have branches in States whose laws allow branch banking.

The administration has been represented as favoring a postponement of bank reform until the regular session of Congress, when a thoroughgoing measure could be introduced. Secretary Woodin, whose hostility to the Glass bill had been open, was believed to feel that nothing should be done at present to upset the delicate conditions of the banking system. With the revelations of banking practice that have come from the investigation of the Senate Banking and Finance Committee, public opinion was fast reaching a point where only the most drastic kind of banking legislation would be satisfactory. Since the administration would thus have support for a comprehensive bank bill, President Roosevelt's dislike for a half-way measure was not without reason.

The railroad bill was passed by the Senate on May 27, before the House had been able to decide upon the sort of draft it would favor. The Senate measure authorized the suspension of the anti-trust laws for one year and the appointment of a Federal coordinator to effect economies in cooperation with three regional railroad committees. The bill also would repeal the recapture clause and would place railroad holding companies under Federal supervision. A new basis for rate-making would be established that would take into consideration the effect of rates upon traffic, service and the provision of revenues to support the roads. Without any fundamental changes the bill passed the House on June 5 and was sent to a conference committee for adjustment of differences.

Outside the planning program, though an administration measure, was the Home Relief Bill, which had passed the House and was approved by the Senate on June 5. (See June CURRENT HISTORY, page 337.) Meanwhile, on May 12, the Wagner Act for distributing $500,000,000 among the States for unemployment relief had been signed by the President. Another bill sponsored by Senator Wagner—the establishment under Federal direction of State employment bureaus—was also passed by Congress during May.

While the law for regulation of securities and the Glass banking bill would curtail the operations of private bankers, it remained for the Senate inquiry into the House of Morgan to put the pressure of public opinion behind the demand for government supervision of those firms which receive deposits and also deal in securities. When, at the end of May, President Roosevelt gave his support to a thorough examination into the affairs of great Wall Street firms, it began to appear that finance might not escape the national coordination that was hanging over agriculture and industry.

Such a forecast seemed only logical considering the amazing disclosures of the affairs of J. P. Morgan & Co., which has long typified great wealth. While a good many people have believed that the firm was no better than it ought to be, others sincerely maintained that, whatever shady practices might have been indulged in by certain other bankers, the hands of the Morgans were clean. The investigation which opened in Washington on May 23 revealed for the first time their organization and methods. The first disclosures astounded the nation. In 1931 and 1932 neither Mr. Morgan nor any of his partners paid income tax. They had been able in a wholly legal manner to escape because of the provision in the law permitting the writing off of capital losses. In the storm of criticism which immediately arose there could be found few good words for a law that makes a levy on a man with a salary of $4,000 a year while, thanks to a loophole in the same law, some of the richest men in the country escape paying anything. Though the critics might have asked themselves who was responsible for that loophole, the resentment for the moment was not so much against the law as against the fact that the Morgan partners should have benefited by it.

The immediate result was revolt in the House of Representatives against the proposal to raise income tax rates and a movement to revise the law. Though the new rates were adopted by the House, they faced determined opposition in the Senate. Later developments in the Morgan inquiry brought about hasty passage of the pending Glass Banking bill.

Much of the investigation brought to light only the complicated details of high finance which the public did not understand, but the disclosure on May 24 that certain firms and important individuals had been on a preferred list to subscribe to the stock of the Alleghany Corporation at a price much below the market quotation struck home with great force. On the list of these "insiders" were the names of men prominent in both political parties, most notably two figures in Mr. Roosevelt's own party—Secretary of the Treasury Woodin and Senator McAdoo, a former incumbent of the same office. Though the incident had occurred in 1929, when they were not in public life, a demand that they resign was heard in many quarters. But whether or not they resigned was unimportant; what mattered was the uncovering of the intimate relations between a great banking house and the leaders of the nation's political and economic life. Interlocking directorates had been common knowledge since the famous Pujo investigation, twenty years ago; this preferred list and others revealed later suggested another form of undue influence by a great banking house and to the popular mind appeared to justify its suspicions of Wall Street domination.

So far, the inquiry had uncovered

nothing illegal, nothing to indicate that the Morgan partnership was guilty of shady dealings. It had, however, raised the question whether high finance had shown sufficient regard for subtle ethical distinctions, and whether such vast power reaching out over the country should not be subject to government regulation. Perhaps that was why the President desired an investigation of the country's great private banking institutions.

The Senate inquiry did nothing to allay public feeling against the banking fraternity, which had been aroused to a high pitch in February over the conduct of the National City Bank under its president, Charles E. Mitchell. The bank holiday, the failure of important institutions to reopen, and the affair of the Harriman National Bank and Trust Company of New York City had only added to a national resentment. Then, soon after John W. Pole, former Controller of the Currency, had told a Senate subcommittee that defalcations of bank presidents were so common that they were routine matters in the office of the Controller, the affairs of the House of Morgan were exposed to the public gaze. The disquiet thus caused inevitably led to a demand for reformation.

As its emergency program has, item by item, passed Congress, the Roosevelt administration has been occupied with the less spectacular task of putting the new laws into effect. The various economy measures and new revenues point toward a balanced budget for the fiscal year ended 1934. Moreover, on May 18 it was announced that the deficit for the current fiscal year would be about $1,000,000,000 under that of last year. Plans for governmental reorganization which it was expected would produce savings of at least $300,000,000 annually have been under study for some time. The departments have been pruning their budgets, consolidating and transferring bureaus and wiping out unnecessary agencies. The completed plan, however, was apparently not to be laid befoıe Congress during the special session.

The Independent Offices Bill, appropriating $543,573,936 for bodies like the Interstate Commerce Commission and the Federal Trade Commission was passed by the House on May 12. An amendment, which was later omitted from the Senate draft of the bill, would authorize the President to cancel air and ocean mail contracts. Such authority if exercised would save, it was estimated, about $30,000,000 in government expenses. During the debate on the bill in the Senate, the administration was bitterly attacked for its curtailment of veterans' pensions and benefits, a curtailment which the President had already agreed to reconsider.

Then, on June 2, the Senate amended the bill so as to reduce the government's economies on veterans' benefits by nearly $170,000,000. Carrying these amendments, the bill was passed and sent to conference with the House. Meanwhile the President was being urged to veto the bill, but he acted even more forcefully when on June 4 he informed Congressional leaders that, if the slashes in veterans' benefits were not restored, new taxes would have to be levied since at all costs the Federal budget must be balanced.

In the government departments is to be found evidence of the changed spirit that prevails in officialdom. The Department of the Interior has been most active in ferreting out abuses and practices against the public interest. On May 5, for instance,

Secretary Ickes complained that the alleged cement trust had raised the price of cement to a level which endangered the public works program, including the work at Muscle Shoals. As a result an investigation was begun by the Federal Trade Commission. On May 18, as President Roosevelt signed the Muscle Shoals Bill, Secretary Ickes disclosed that Louis R. Glavis, a special investigator for the department, had reported that certain power companies had misused the government facilities at Muscle Shoals, an accusation which was turned over to the Department of Justice. After Mr. Glavis had disclosed that a dam under construction at Muscle Shoals was many feet lower than required by the specifications, President Roosevelt ordered work on the dam to be halted until an investigation could be made.

Another sensation came from the Department of the Interior on May 30, when Secretary Ickes admitted that he had dismissed E. S. Rochester, secretary of the Federal Oil Conservation Board, because of a letter which Mr. Rochester had written to George Creel on Dec. 21, 1932. In that letter, a copy of which now reposes in the files of the Senate Finance Committee, Mr. Rochester opposed abolition of the oil board, which had been ordered by President Hoover as part of his plans for government reorganization. Mr. Rochester said: "Mr. Hoover has suffered complete and positive annihilation and no longer can use to advantage the contacts he and his Cabinet enjoyed with the giants of the oil industry." "This oil board," the letter set forth, "has cost the government less than $10,000 a year. It has been worth $10,000,000 to the Republican party, the public and the oil industry. * * * Mr. Roosevelt cannot afford to get away from the heads of the nation's oil companies. He will need the counsel of men of this calibre; they will need him." If this letter means what it seems to, another investigation of the operations of the oil companies may become necessary.

The alertness of the Department of the Interior in protecting the public interest may possibly be accepted as typical of the administration. Certainly other departments, like those of Labor and Agriculture, are shouldering a large share of the burden of remaking America. While Secretary Perkins has participated in the framing of the National Industrial Recovery bill, the Secretary of Agriculture has had before him the promulgation of the Farm Relief Act, which was signed by the President on May 12. Following a conference between members of the department and representatives of the wheat industry, it was announced on May 26 that, unless new difficulties arose, the domestic allotment plan would be used before July 1 to raise the price of wheat. This action was taken in face of the apparent conflict with the tariff truce that exists during the period of the World Economic Conference.

Meanwhile, as the machinery for carrying out the Farm Act was being set up, the national farm strike, which had been voted at a farm conference in Des Moines on May 4, was, at the request of President Roosevelt, indefinitely postponed. A six-day milk strike in Wisconsin came to an end on May 18 after Governor Schmedeman agreed to appoint a special commission of inquiry. The prices of basic farm commodities, however, were rising rapidly during this period, in part because the threat of inflation was driving money into commodities. Between April 15 and May 15 farm prices rose 17 per cent and *The Annalist* index of commodity prices advanced

from 89.3 per cent for the week ended May 9 to 92.1 for the week ended May 29. Although the estimated Winter wheat crop is the smallest in nearly thirty years—about 66.7 per cent of normal—the decline in wheat exports indicates that the carry-over will still be tremendous. Even so, wheat futures have accompanied other commodities in the upturn.

Business improvement has been extensive and rapid, so much so that the passage of the administration's Industrial Recovery Bill was endangered. Whether some improvement in general business conditions was due in any case, or whether the administration's success in restoring confidence and its policy of inflation are responsible is at present not easy to determine. All sorts of indices of business activity, however, reflected improvement. A new and perhaps more reliable index prepared by *The New York Times* shows that for the week ended March 18 business activity reached its lowest point, 60.0; for the week ended May 27, it had risen to 79; a year ago, the corresponding figure was 66.5. While many industries are enjoying expanded business, the most impressive improvement and perhaps the most important is that of steel. For the week ended March 11, according to *The Annalist* index, the steel industry operated at 13.5 per cent; for the week ended May 29, the figure had risen to 42 per cent. Meanwhile, the automobile trade, construction, textiles and similar basic industries were steadily showing changes for the better.

Included in the business advance is the improved banking situation. More than 1,250 banks have reopened since March 29, though 4,000 with deposits of about $3,000,000,000 are closed or are on a restricted basis. Successive reports from the Federal Reserve System have shown a decline in the amount of currency in circulation and a rise in the ratio of reserves to liabilities. And meanwhile, the inflationary program of the government has aided in stimulating a bullish movement in stock markets which has pushed stock prices to the highest level in more than a year and a half.

The policy of credit expansion through open-market operations was resumed in May, when the Federal Reserve Banks were authorized to buy $25,000,000 in United States Government securities. This was the first inflationary step taken under the provisions of the Farm Relief Act. Another inflationary proposal and one of particular concern to foreign nations was the passage through Congress of a joint resolution abolishing the gold payment clause in all obligations, public and private. Since the United States was already off the gold standard, the resolution might have seemed unnecessary.

The purpose of the resolution as stated by the administration was to end the confusion in regard to the payment of interest in gold or legal tender which had arisen as a result of legislative and executive action since the administration came to power last March. Though attacked as an act of repudiation by the conservative American press and by foreign financiers, the resolution did not excite the American public, who perhaps understood little of what it was about. And one may not be far wrong in suspecting that the repeal of the gold clause was a means of strengthening the hands of the delegates to the World Economic Conference. The resolution was overwhelmingly adopted by the House on May 29 by a vote of 283 to 57. Senate concurrence followed on June 3 by a vote of 48 to 20.

A notable feature of the altered

trend in business activity was the rise in wages throughout the country. Even if the increase is still small—and a 10 per cent raise does not mean much if the base is infinitesimal—it nevertheless creates some additional purchasing power and does lessen the burden on relief agencies. In the absence of adequate statistics, it was difficult to discover how many men and women were finding new jobs, but, in New York State, employment during April gained 2.2 per cent over March, and in manufacturing industries the nation over, the increase was 1.6 per cent.

Nevertheless, the distressing plight of labor promises to be with us for many a day· and it seems doubtful whether millions now out of work can ever be reabsorbed. If the administration's measures become effective, sweat-shop conditions which have flourished during these years of adversity may be wiped out along with the perennial curse of child labor. But the immediate situation is dark, not least for those 150,000 men and women who were to be graduated from the colleges in June. According to an estimate of the Intercollegiate Young Alumni of New York City, not more than 20 per cent of these graduates will be able to find employment.

The Civilian Conservation Corps is providing livelihood for many thousands of young men and by July 1 will have enrolled its quota of approximately 274,000. Despite some sporadic trouble with the recruits, Robert Fechner, director of emergency conservation work, reported on May 27 that morale was high and desertions few. More than 2,500 additional members were added to the corps as the result of the march of a bonus army to Washington early in May. The army, numbering about 3,000 men, was entertained at government expense at Fort Hunt, outside the capital. While President Roosevelt told the veterans that he would veto any bonus bill, he did offer to enlist the men in the Conservation Corps or to provide them with transportation to their homes—a policy which broke up the movement. As one of the leaders said: "We are whipped and we have to hand it to that smart fellow at the White House."

During May the movement for repeal of the Eighteenth Amendment moved ahead rapidly. Undoubtedly its continued success will be due in no little part to the emphasis President Roosevelt has placed upon the probable relief from excessive taxation once revenue from liquor sales is regained. To the three States—Michigan, Wisconsin and Rhode Island—which had already voted for repeal, Wyoming, New York, New Jersey, Delaware and Nevada were added during the past month. Five more States were to vote during June, but in one of them, Iowa, the outlook for repeal was not bright.

The administration has continued to move slowly with its distribution of patronage, so slowly in fact, that Representative Busby of Georgia attacked the President in the House on May 17 for not taking better care of his supporters. Nearly all the more important posts, however, have been filled. On May 10 Eugene R. Black, Governor of the Federal Reserve Bank of Atlanta, was nominated for membership on the Federal Reserve Board with the assurance that upon confirmation by the Senate he would be named governor of the board. Dean G. Acheson of Maryland has been made Under-Secretary of the Treasury. Among other appointments are those of Alexander W. Weddell to be Ambassador to Argentina, and Dave Hennen Morris of New York to be Ambassador to Belgium.

Guerrilla Warfare in Cuba

By CHARLES W. HACKETT
Professor of Latin-American History, University of Texas

THE revolutionary disturbances that began to break out in the Oriente Province of Cuba late in April proved to be abortive, but during May they were followed by similar troubles in other provinces which steadily became more serious. Seventeen men were reported to have been killed in Oriente Province on May 1 when a rebel band, which was believed to have taken part in the disturbances of the preceding week, was defeated by Rural Guards. The following day, in a clash between soldiers and rebels in Oriente Province, several soldiers were wounded and four rebels surrendered.

After meeting with reverses in Eastern Cuba the rebels transferred their activities to the borders of the provinces of Santa Clara and Camaguey. An unsuccessful attack by rebels on a Rural Guard post in Santa Clara Province on May 6 was followed four days later by a clash in Camaguey Province between Rural Guards and forty well-armed and mounted rebels. In this clash two Rural Guards and one rebel were killed and one guard and several rebels were wounded. Between May 14 and May 17, with the operations of the rebels extending over portions of both Santa Clara and Camaguey Provinces, four clashes occurred between government forces and rebel bands, the latter varying in size from seven to more than eighty men. In these engagements about twelve soldiers were killed and a number wounded; the number of rebels who were killed or wounded could not be ascertained.

On May 18 the United Press reported that the economic and political difficulties of Cuba were "nearly equal to those which prevailed during the latter years of Spanish rule." *The New York Times* reported on the same day that the revolt in progress in central Cuba had spread into Oriente Province where the rebels had seized a small Rural Guard post and carried off arms and ammunition. In the same report it was estimated that "some 2,000 men already are involved in the rebellion, all fully equipped with the latest type of arms which have gradually filtered in through small ports along the south coast of Santa Clara and Camaguey Provinces." About 800 of these rebels had split up into small bands in order to carry on guerrilla warfare. In addition, according to the *New York Herald Tribune,* more than 1,000 well-armed rebels were operating in the Sancti Spiritus section of Santa Clara Province. Reinforcements of government troops were hurried to the disturbed areas from Havana on the night of May 18. Unofficial reports indicated that a dozen rebels and soldiers had been killed and forty wounded in numerous skirmishes in the three-day period ended on May 18.

During the last two weeks of May disturbances in Central and Eastern Cuba increased. Rebel activity at Baracao, at the extreme eastern end of the island of Cuba, caused a detachment of soldiers to be rushed from Santiago on May 19. The next day

Rural Guards stopped all westbound traffic over the Central Highway at a point forty-five miles east of Havana. After a trip through the Santa Clara zone of rebel activity, a United Press correspondent reported on May 21 that 600 rebels were camping under arms in Santa Clara Province and that about 1,400 more in Santa Clara and Camaguey Provinces were cooperating with them. The rebels were said to be securing arms and ammunition from Mexico and to be confidently expecting an expedition from Mexico. The same correspondent reported that at least 2,000 Springfield rifles and nearly 60,000 rounds of ammunition had been received from outside Cuba by the rebels. Revolutionary outbreaks and disturbances continued to be reported throughout Cuba on May 22, and as the month drew to an end the government seemed to be making little progress in restoring order.

Cuba's prolonged reign of terror also continued during May. The dreaded "flight law" was invoked on May 3 against the four rebels who surrendered in Oriente Province two days earlier. On May 7 the corporal who was responsible for the shooting down of these four prisoners as they were given the futile opportunity to outrun bullets was arrested. In Havana on May 6 one policeman was killed and a passer-by was wounded by an exploding bomb. The bodies of three sugar mill guards were found in Camaguey Province on May 19. Three days later a young boy, who said that he had been an unintentional eyewitness at the execution of the three guards by Major Arsenio Ortiz, who had been sent into that zone to quell an uprising, was summarily hanged to a tree. A dispatch to the *New York Herald Tribune* on May 22 reported that people on the way from rural sections to Sancti Spiritus, Santa Clara Province, had seen "numbers of bodies hanging from trees where Ortiz and his outfit have passed." American owners of the mill at which the three guards were murdered and from which other guards were driven off were reported on May 22 to have protested to the American Embassy in Havana. It appears that Ortiz has been given the choice of leaving Cuba or facing court-martial for murder.

Despite these revolutionary and terroristic activities, President Machado made two friendly gestures to his opponents. Fifty-one political prisoners, including students, university professors and professional men, were released from Principe Prison on May 5. Three days later orders were issued for the release of forty-seven other political prisoners from the Isle of Pines Penitentiary and from Principe Fortress in Havana. Oppositionists charged that this action was designed to make a favorable impression on the new American Ambassador, Sumner Wells, who arrived in Havana on May 7. A second conciliatory move was made on May 8 when the military censors of newspapers in Havana were ordered to turn over the censorship to the Department of the Interior. The orders issued to the censors of that department on May 15, however, clearly showed that the rigid supervision to which the press of Cuba had been subjected under the military censorship had not been relaxed.

Sumner Wells, in a statement made to the press soon after his arrival, indicated that economic matters would receive his immediate consideration. When he presented his credentials to President Machado on May 11, Mr. Wells stated that the United States Government believed that a necessary factor in the rehabilitation of the world was "the mutual agreement on

reciprocal trade agreements," to which President Machado agreed.

MEXICAN PRESIDENTIAL CAMPAIGN

With a Presidential election due in Mexico in the Summer of 1934, certain aspirants to succeed President Rodríguez began to prepare for the campaign. General Manuel Pérez Treviño on May 12 resigned as president of the dominant National Revolutionary party in order to give his followers a free hand in choosing their candidate at the forthcoming party convention. Three days later General Lazaro Cárdenas resigned as Minister of War and Marine in order to be eligible for the nomination of the party, since the Mexican law requires candidates who hold government positions to relinquish them at least a year before the election. Other prospective seekers for the nomination are former Governor Alberto Tejada of Vera Cruz, who represents the radical wing of the party; Ramón de Negri, former Minister of Agriculture and more recently Mexican Minister to Belgium, and Finance Minister Alberto Pani. All candidates of the National Revolutionary party are expected to adopt as a leading plank in their platforms the notable declaration of former President Calles renouncing dictatorship in all its forms.

Finance Minister Alberto Pani left Mexico City for Washington on May 2 to confer with President Roosevelt on economic subjects. But it is significant that he went by way of Ensenada, Lower California, where he talked with former President Calles, who, though out of office, is by no means out of politics. On May 11 Señor Pani and other representatives of Mexico began conversations with President Roosevelt. At the same time a review was undertaken at the Department of State of the whole field of Mexican-American economic, financial and commercial relations and of proposals to rehabilitate silver as a medium of exchange, a matter of great importance to Mexico, which is the world's greatest silver-producing country.

The voluntary payment by the United States Government of $30,000 as an indemnity to the heirs of two Mexican students, Emilio Cortés Rubio and Manuel Gómez of Morelia, Mexico, who were killed by deputy sheriffs at Ardmore, Okla., in June, 1931, was formally made on May 10.

PANAMA DEFAULTS

On May 11 the government of Panama ordered the temporary suspension of the interest payment due on May 15 on an $11,000,000 loan negotiated in 1928 with the National City Bank of New York. It was officially announced that this action would not lessen the administration's efforts to economize and that the resumption of interest payments would be made as soon as possible.

STATE OF SIEGE IN NICARAGUA

Although Sandino is quiet, Nicaragua is still not without bandits. On May 12 Congress felt obliged to place the Department of Managua under martial law. President Sacasa explained that although the number of persons engaged in subversive activities was small, the decree was necessary to maintain public order. A week later government officials denied the existence of revolutionary plots.

Because of the economic distress small groups of bandits have resorted to raiding, but they are independent of each other and government forces have thus far had little difficulty in capturing or dispersing them.

Peru and Colombia Make Peace

By Henry Grattan Doyle
Professor of Romance Languages, George Washington University

The force of international public opinion during May brought South America's two territorial disputes closer to solution. Hostilities in the Leticia area ceased after Peru and Colombia signed an agreement at Geneva on May 25 providing for the evacuation of the territory seized by Peruvian irregulars last September and for the administration of the disputed zone by a League of Nations commission. In the Chaco imbroglio, although Paraguay on May 10 officially declared that a state of war exists between Paraguay and Bolivia, the declaration was largely a tactical move which may ultimately aid the peace efforts of neutral governments or of the League.

The Leticia agreement not only provides a good example for the Chaco contestants, but relieves Peru—which in cooperation with the ABC countries (Argentina, Brazil and Chile) had been trying to compose the differences between Bolivia and Paraguay—of the embarrassment of her ambiguous position as a prospective mediator in one South American dispute while stubbornly maintaining an impossible international point of view in the other.

In reply to a message of congratulation from President Salamanca of Bolivia, President Benavides of Peru expressed the hope that the example of Peru and Colombia would be followed in the Chaco dispute. Two factors, however, stand in the way of any easy settlement of Bolivian-Paraguayan differences: the long-standing nature of the dispute and the bloodshed that it has caused. Hopes for peace must rest chiefly with the two Presidents, both men of unblemished character and broad intelligence, even if it means that they would be taking their political lives in their hands. But the prize is well worth the stake. Both countries are weary of the war and its needless bloodshed, and, though nationalistic feeling is high, struggles as bitter have been composed and friendship re-established by the right kind of leadership aided by the healing influences of time.

The assassination of President Sanchez Cerro of Peru made possible, or at least hastened, the solution of the Leticia dispute. As pointed out here last month, the assumption of office by President Benavides held out promises of peace. President Benavides and Dr. Alfonso Lopez, a Colombian diplomat, had been intimate friends while each was representing his country in London. This fact and Dr. Lopez's initiative led to an agreement for which the groundwork had been laid by neutral countries, notably by Brazil and the United States, and by the League of Nations. President Roosevelt, in his Pan-American Day address on April 12, referred to the Chaco and Leticia hostilities as a "backward step," and his frankness also undoubtedly contributed to the result.

Following the adoption on March 18 of the League of Nations report on the Leticia incident and the tem-

porary withdrawal of the Peruvian delegate at Geneva, interest reverted to the scene of hostilities, where attacks on Colombian gunboats on the Putumayo River by Peruvian land and air forces were reported. On May 3, however, a new factor was introduced by the passage through the Panama Canal to the Atlantic of the Peruvian cruiser Almirante Grau and two submarines. While permitting the ships to go through the canal, the American authorities denied them dry-dock facilities and refused to provision them. The question immediately arose whether the Peruvian squadron intended to bombard or blockade Colombian ports, or was its destination the Upper Amazon? The League of Nations advisory committee on Leticia promptly demanded that Peru explain the transfer of the vessels to the Atlantic. Peru replied on May 7 that the ships were bound for the Upper Amazon, whereupon the League committee requested the neutral nations to refuse to furnish food, fuel or other supplies and facilities until the object of the cruise was made clear. On May 8, however, the ships reached Willemstad, Dutch West Indies, and were permitted to enter the harbor and take on supplies. They left Port of Spain, Trinidad, for Para, Brazil, when negotiations for peace began.

Dr. Lopez on May 6 telegraphed from Manizales, in the western part of Colombia, to General Benavides, reminding him of their old friendship and pointing out the folly of armed conflict and the need of cooperation between the "Bolivarian Republics"—Venezuela, Colombia, Ecuador, Peru and Bolivia—to solve their economic problems. General Benavides in reply expressed confidence in President Olaya Herrera of Colombia and in Dr. Lopez, and invited the latter to a conference in Lima. Dr. Lopez returned by airplane to Bogota, saw the Columbian President there, and on May 15 reached Lima.

Meanwhile, on May 10 the League committee, headed by Sean Lester, President of the League Council, had proposed the evacuation of Leticia by Peru; a League commission, empowered "in the name of Colombia" to take over and administer the Leticia corridor, enforcing order by international forces selected by the commission; direct negotiations for a settlement of the territorial question; and reimbursement by Colombia of the expense of the commission's occupation of the territory. On May 12, these proposals were formally accepted by Colombia. Apparently the efforts of Dr. Lopez, who left Lima on May 20, had succeeded, for in a secret session on May 21 the Peruvian Congress, by 64 votes to 23, expressed confidence in the policies of José Manzanilla, the Peruvian Foreign Minister, and three days later Peru notified the League of its acceptance of the proposals. The representatives at Geneva of the two nations concerned, Dr. Eduardo Santos of Colombia and Francisco Garcia Calderon of Peru, and the newly elected President of the League Council, Francisco Castillo Najera of Mexico, on behalf of the League, signed the agreement on May 25. It was announced on May 26 that the League commission to be sent to the disputed area would include an American Army officer with administrative experience and a knowledge of Spanish, a naval officer from Brazil and a Spanish diplomat.

Through the friendly intervention of Spain, diplomatic relations were resumed by Peru and Mexico on May 22, almost exactly a year after the recall of General Juan C. Cabral, Mexican Minister in Lima, following com-

plaints by Peru that he had violated diplomatic ethics by association with Haya de la Torre, the Aprista leader and bitter opponent of the late President, Sanchez Cerro. The new régime in Peru, while still suppressing the Apristas, is reported to be no longer employing the harsh measures of Sanchez Cerro. Victor Raul Haya de la Torre is still in prison, where he has been for more than a year. On May 8 a group of American intellectuals presented a petition to the Peruvian Ambassador in Washinton, Don Manuel de Freyre y Santander, asking for the release of Haya de la Torre. A similar effort to effect his release was made last January.

THE CHACO WAR

Paraguay's declaration of war against Bolivia on May 10 came a few days after the breakdown of negotiations for ending hostilities in the Chaco. On May 4 it was announced that the ABC-Peru group had abandoned its peace efforts, but Bolivia immediately asked for the continuance of the good offices of the ABC-Peru group and the Washington Commission of Neutrals and suggested that Paraguay define her territorial claims so as to bring about a final solution of the Chaco problem, "not merely a truce that might end in a resumption of hostilities." Assistant Secretary of State Francis White accordingly called a meeting of the Commission of Neutrals in Washington on May 8, inviting also the representatives of the ABC-Peru group. Argentina and Peru were not represented at the meeting, because they had notified Bolivia that their good offices had ceased because of dissatisfaction with that country's reply to their notes of April 22, and because, according to reports, they held Bolivia responsible for the continuance of the war in the Chaco, which they characterized as an unprecedented example of stubborn opposition to every effort to bring about peace. Bolivia's implied preference for the Washington neutrals over the ABC-Peru group was also resented.

The declaration of war by Paraguay brought forward a problem for the League of Nations, of which both countries are members. The Kellogg-Briand pact outlawing war does not apply, because, while Paraguay ratified it, Bolivia did not. It is therefore not binding on Paraguay as regards Bolivia, a non-signer. Declarations of neutrality by Argentina, Uruguay and Chile were issued on May 13, by Peru on May 14 and by Brazil on May 25. Neighboring governments, however, did not close their ports to supplies for the combatants. This would have proved disadvantageous to Bolivia, since, without an outlet to the sea, she obtains munitions and other supplies largely through Chilean ports. The Argentine Government was reported on May 27 to have closed Puerto Irigoyen, on the Bolivian frontier, to shipments of foodstuffs, but Chile officially notified Bolivia on May 30 that the port of Arica would remain open.

The League Council met on May 15 in special session to consider an appeal from Bolivia for action by the League. Bolivia declared that, by declaring war, Paraguay had placed herself outside the League covenant and incurred the sanctions of Article XVI. The League had cabled both countries on May 11 asking whether they would accept an arbitral decision. The Commission of Neutrals, meeting in Washington on May 12, had promised the League its cooperation. Paraguay agreed to arbitration on May 15, Bolivia on May 16, the latter with the qualification that she de-

sired to "avoid temporary palliatives which might soon lead to fresh conflict."

The League Council on May 20 adopted a report which asserted the authority of the League over its South American members and stated that the frontier between the disputants must be settled by this authority. Recognition of this thesis implied (1) cessation of hostilities, (2) withdrawal of Paraguay's declaration of a state of war, and (3) arbitration of the questions at issue. Furthermore, an international commission would be established to proceed to the spot, supervise the cessation of hostilities, prepare for arbitration and report upon the facts in dispute. The Bolivian argument that Paraguay, by its declaration of war, had rendered itself liable to the sanctions of Article XVI was disposed of by the Council ruling that Paraguay "had not declared war but merely declared that a state of war existed and had existed since June 15, 1932."

The report was immediately accepted without reservations by the Paraguayan representative, while the Bolivian representative said he would transmit it to La Paz. Bolivia on May 27 replied to the League proposals, agreeing to accept them, provided peace were not imposed but negotiated freely, and reiterating her desire for a complete settlement rather than a "dilatory system which would prove unworkable." "In the present state of the campaign," it said, "and considering the special conditions of Bolivian mobilization, an armistice without the assurance beforehand of definite peace would create difficulties." The efforts of the proposed commission would be sterile, the note continued. Therefore it would be desirable for the efforts of the Commission of Neutrals to be continued. "Bolivia," the note added, "occupies a seat in the League of Nations as an associated country with the right to present her cause freely. If this right were denied, Bolivia would consider herself justified in discontinuing further discussions."

This apparent stalemate ended, for the time at least, the peace efforts of the League of Nations. Meanwhile, the war in the Chaco drags on, with recurrent attacks along the whole front, with a mounting list of casualties, and apparently with no substantial gains by either side.

Britain's Economic Nationalism

By J. BARTLET BREBNER
Assistant Professor of History, Columbia University

INCREASED nationalism underlies recent events in Great Britain. During the past two months that section of British opinion which is pessimistic about the prospects of pacific international action has steadily grown in numbers and influence. This has been due in the first place to America's abandonment of the gold standard, and then to the American attitude toward gold obligations and to the behavior of Japan and Nazi Germany. All these developments have accentuated the appeal of British nationalism to the disillusioned. As President Roosevelt and Prime Minister

MacDonald have become more "Wilsonian" in their public utterances, the British nationalists have recalled the defection of the United States from international responsibilites in 1919 and 1920, and as Germany and Japan have become more truculent, Winston Churchill has thanked God for the French Army and others have talked about an Anglo-American naval alliance.

In Great Britain, as in the United States, an increasingly sharp division of opinion has developed in government circles. At the end of May, when the radio address by Raymond Moley seemed to indicate that isolationism was winning at Washington, its British counterpart in London gained in strength. Both countries wanted to raise commodity prices, but neither had a recipe to do so that would at the same time lower tariffs. Though Great Britain still regarded herself as a low-tariff country, the rates on manufactured goods were creeping up in face of Japanese dumping, while agriculture continued to demand more protection. The United States admitted her high tariffs, but pointed to her embattled farmers and prostrate copper industry as examples of the almost universal opposition to reducing them.

Basically, the question had become whether, if the United States were transformed into a characteristically modern controlled and semi-closed national economy, the traditional British policies of freer international trade and meticulous international financial probity would any longer be useful.

The agreements concluded at the Imperial Conference at Ottawa last year and the recent dissolution of the Empire Marketing Board under pressure from the Dominions have shown the price that must be paid for Imperial trading agreements. The commercial treaties with Denmark, Argentina and Germany were bitterly attacked in and outside Parliament for failing to exploit British potential bargaining power under out-and-out protectionism and for surrendering agriculture and infant industries to unfair foreign competition. The government was urged to raise permanent high tariff walls and to seek prosperity in the development of its colonial empire for the benefit of a protected population in the mother country.

This clash of opinion involved many contradictions. For instance, the surrender to Persia in the matter of the Anglo-Persian oil concession could be set over against the trade wars with the Irish Free State and the Soviet Union. Though the internationalists were still dominant in the Cabinet, there was uneasiness over Mr. MacDonald's reliance on the representations of Norman H. Davis, lest he be repudiated by the American Congress. All foreign and domestic policy was affected by the prevailing uncertainty as to the direction Great Britain would be forced to take. There was some soreness because the United States possessed the initiative.

Attention could be focused most easily on the war debts and the exchange equalization account. At the end of May, the Cabinet was reported to be "split wide open" on the question of paying the June 15 instalment to the United States. Neville Chamberlain on May 30 denied the report that the decision would be left to a free vote in the House of Commons. Parliament agreed to increase the exchange equalization fund from £150,000,000 to £350,000,000. In the debates Mr. Chamberlain categorically denied that the increase had anything to do with the United States going off gold or with efforts to force down

the value of the pound in relation to the dollar. The fund was needed, he said, to adjust minor fluctuations in sterling and to face the disturbing influences of exchange speculations and the torrent of "refugee capital" which was pouring into London. Yet the international financial community persisted in regarding the equalization fund as a British instrument in the prevailing contest with the United States in the depreciation of currencies. Hopes for the World Economic Conference were narrowing down to the possibility of agreement on stable currency levels.

The growing nationalism, moreover, cropped up as a disconcerting and incalculable factor in almost every governmental policy. The Conservative majority in the National Government repeatedly threatened to throw off the moderating influences of their Liberal and Labor colleagues on such issues as the government of India, the incidence of taxation under the recent budget, unemployment insurance and poor relief, the Snowden land-tax and the relief of agriculture. On May 25, for instance, a demand for abolition of the land-tax was said to have had the support of 300 of the 470 Conservatives in the House of Commons. The situation produced many predictions that the National Government would dissolve and that a general election would be held in which party lines would be resumed, with interesting new allegiances for such Ministers as MacDonald, Simon, Thomas and Elliot. The Liberals, nourishing the hope that the situation might be favorable to their old policies, offered a low-tariff union as their solution for the strangulation of international trade.

The statistics of foreign trade and of unemployment for April contradicted each other as indices of economic health. Even allowing for the three-day Easter holiday, the trade figures were discouraging in comparison with March. Exports were down to £29,920,000 and imports to £51,150,000. On the other hand, the number of unemployed fell by 78,550 to 2,697,634 and the number of employed rose by 91,000. The coal and cottoh industries were still depressed, but other enterprises showed more than seasonal improvement. Commodity prices in terms of gold continued the slight rise which began about April 15—an improvement which was smaller in terms of sterling because of the pound's rise to the neighborhood of $4. Though the free gold market was maintained, neither the Bank nor the Treasury made purchases, since stiff competition among foreign hoarders for bullion which they could store in England tended toward a high premium. The Bank's gold reserve fluctuated slightly near the total of £187,000,000.

Fears of a British form of fascism were revived by the internal dissensions in the British Government. The brusqueness—perhaps calculated—of Hitler's envoy, Dr. Alfred Rosenberg, aroused such widespread resentment that the fears diminished while the Socialists and Communists, who early in May had almost united in excited warnings against the threat, relapsed into their habitual hostility.

THE IRISH BUDGET

The novel and complicated accounting methods in the Irish budget prevent its being described in simple terms. Thanks to the retention of about £5,000,000 owing to the British Government and investors, last year's deficit has been converted into a surplus of almost £1,000,000. Since almost the same scale of expenditure is planned for 1933-1934, and the land annuities formerly payable in the

United Kingdom are to be halved, it was indicated that a loan of about £3,000,000 would be necessary to meet expenses and the £2,500,000 for the payment of export bounties. Great relief was expressed that there was no increase in taxation.

The unexpected announcement on May 15 that the local elections would be postponed from June to November was connected with the intention to extend the local franchise to all adults so as to include de Valera's younger followers. The likelihood that the Senate would reject such legislation and perhaps a bill for its own extinction as well, revived the predictions of a general election in the Autumn.

There is no way of deciding how much longer the domestic economic situation will prove tolerable. Export bounties have helped the farmers to surmount the British tariffs on their produce, but the prices they are receiving are still inadequate. Low prices were an effective answer to governmental appeals to increase tillage. Nevertheless, the farmers and the Irish population are living better than in the days of an open British market. There has been much talk outside government circles of the necessity of ending the economic struggle with Great Britain.

CANADIAN ECONOMICS

During May, Canada was content to respond to, and share in, the pronounced revival of economic activity in the United States. Parliament, instead of adopting new domestic or international policies, was debating vigorously whether the King might grant titles of honor to Canadians, the operation of the new national broadcasting system, and the redistribution of federal electoral constituencies in the light of the census of 1931. On major issues, like banking legislation and the new shipping act, the tendency was to postpone action until it could be seen whether the economic corner had really been turned. Even the loan of $750,000,000 considered necessary for conversion purposes and to meet deficits was not to be floated until Autumn.

Practically all the indices of economic activity rose substantially during April and May, and there has been a remarkable surge upward on the stock markets, which was made in some ways more spectacular than that in the United States by the inevitable boom in gold mining stocks. Canada has been selling gold in London at rates which have yielded from $26 to $28 an ounce in Canadian funds instead of the former $20.67. The proceeds of these sales have gone to the purchase of depreciated American dollars for meeting Canadian obligations in New York. Canada's domestic financial difficulties have been reflected by the continued quotation of the Canadian dollar at about 88 cents in New York.

While Canadian wheat exports for the first nine months of the crop season were 182,000,000 bushels, as compared with 132,000,000 bushels in 1931-1932, there was an unexpectedly disappointing slump in this movement during April, which continued into May. Even British purchases fell off in spite of the increased purchasing power of the pound sterling in Canada. Foreign purchases declined still more sharply. This circumstance went far to explain the warm welcome given to the commercial treaty with France which was negotiated by C. H. Cahan, the Secretary of State—a much better arrangement than the treaty which was denounced last year. In general, many Canadian raw materials and French manufactured articles were subjected to the minimum

or intermediate tariffs of France and Canada. Mr. Cahan's success did something to redeem the reputation which he lost when an ill-advised speech of his on Manchuria at Geneva forced the Government to do some unusually plain talking both at Geneva and Ottawa about its rather nebulous Far Eastern policy.

Canadian foreign trade continued to decline sharply during April, as compared with both March, 1933, and April, 1932. In addition, there was a trade deficit for the first time since May, 1932, although it was much smaller than in April, 1932. Exports were $20,012,000 ($26,928,000 in 1932) and imports $20,457,000 ($29,794,000 in 1932). An interesting feature of the returns was that, for the first time in five months, Canadian exports to the United Kingdom were less than in the preceding year and Canadian imports from the United Kingdom greater.

Soon after the British Royal Commission on Newfoundland moved from St. John's to Ottawa, it became known that Newfoundland's bankruptcy had left open only two courses of action—either reversion from Dominion to colonial status or incorporation in the Dominion of Canada. Long conversations with the Canadian Government took place, but were not made public. Canada is already borne down by her own debt burden and Newfoundland's economic conditions preclude payment of interest on the island's obligations. Yet Quebec would like to secure Labrador, which was enlarged at her expense by the Privy Council award of 1927, and Canadian banks and industries are deeply involved in Newfoundland's plight. The relation between Nova Scotia and Newfoundland has been close for many years, but the Dominion Government has found it difficult to placate Nova Scotia during the same period.

AUSTRALIAN AFFAIRS

Early in May it was announced that an Australian federal budget surplus of £2,000,000 might be expected, which it was anticipated would be devoted to the reduction or abolition of the property supertax and perhaps a reduction of certain customs duties. The State budget deficits were also understood to be well below the sum accepted in the Premiers' plan. It had been hoped in these favorable circumstances to undertake operations for the conversion to lower interest rates of Australian foreign debts, but, following representations by Stanley Bruce in London as to the unsettled condition of the securities markets, this plan was abandoned.

By a narrow margin New South Wales in a referendum has accepted its government's proposals to choose the upper house of the Legislature by votes of both houses; thus the danger was escaped of its being swamped with partisans under the nomination system used by ex-Premier J. T. Lang. The narrowness of the victory was attributed to the unpopularity of the government's recent economies.

SOUTH AFRICAN ELECTION

The general election in the Union of South Africa on May 17 brought the anticipated victory to the coalition of Hertzog's Nationalists and Smuts' South African party. Out of 150 seats Hertzog's party won 75, Smuts's party 62, Roos's United Coalitionists 2, with 11 scattering. So long as the two old leaders can keep their followers in agreement, virtual dictatorship is possible. The most remarkable incident of the election was General Smuts's generous response to an appeal for help

from the veteran Dr. Malan, a reluctant coalitionist. That action greatly enhanced Smuts's prestige.

Public finance has been rendered easy by the abandonment of the gold standard in the country which produces half the world's gold. The condition of the primary producers, however, has remained bad, and Finance Minister Havenga has indicated that he will tax the extraordinarily enhanced profits of the gold mines by an additional £6,000,000 to relieve the farmers' burdens in debt and production. An increasingly serious agricultural problem is arising from the undoubted drying up of the country as a result of deforestation, veld burning and overstocking.

INDIAN REFORM.

The joint committee for study of the White Paper embodying the British Government's new constitutional proposals for India began its work in London on May 16. The Indian members had not all arrived, but as they were chiefly veterans of the three Round Table Conferences it was expected that they could readily take up the work. As they left India many of them again expressed disappointment with the proposals and announced their intention of working to liberalize the scheme. In India there was a slightly greater tolerance of the new Constitution as opponents shifted their attention from the safeguards for British authority to the powers conferred upon the Indian Legislatures. Moreover, the implacable hostility to the proposals on the part of Winston Churchill and Sir Henry Page Croft, and the growth of their following among the Conservatives, seemed to convince some Indian critics that it was wisest to grasp the present concessions lest Conservative hostility defeat or diminish them.

Mahatma Gandhi fasted successfully from May 8 to May 29 as part of his campaign against Untouchability. The Indian Government released him from Yeravda Prison and he spent the period at Lady Thackersey's villa. He recommended to Congress discontinuance of civil disobedience and of the boycott of British goods for a month, saying that he hoped that peace between the Congress and the government could be restored in that time and that the government would see the necessity of releasing those imprisoned for civil disobedience. Since the government did not release the prisoners, it was possible that Gandhi may soon ask to be put back in Yeravda Prison.

Gandhi's position has become somewhat insecure and obscure. V. J. Patel and S. C. Bose united in repudiating his leadership and in demanding a complete reorganization of the Congress party, which has lost enthusiasm under the restraints successfully imposed upon it by the Indian Government. Other Indians professed themselves in doubt as to the reason for Gandhi's fast and stories were spread that it was partially an atonement for the "impure and extravagant way of living" confessed to by an American disciple, Miss Nila Cram Cook, and reproved by Gandhi. This greater interest in the purity of his disciples in the campaign against Untouchability than in the political struggle with Great Britain seems to have resulted in the defection of part of his political followers. Indeed, the Congress press showed distinct signs of willingness to modify emphasis on non-co-operation and the boycott in order to bring some influence to bear on the new Indian Constitution, and to frame Anglo-Indian policies to meet Japanese dumping and other economic troubles.

French Budget Deadlock Ends

By GILBERT CHINARD
Professor of French and Comparative Literature, Johns Hopkins University

AFTER many months of heated debate and frequent all-night sessions the French Senate and Chamber of Deputies on June 1 finally agreed on a budget for the current year. Although it shows an actual deficit of about 1,200,000,000 francs and taxpayers' strikes have been numerous and frequently violent, it is expected that public tension over the government's finances will be considerably relieved. Premier Daladier's Cabinet, with the budget out of the way and a vote of confidence in both houses on the government oil monopoly question to its credit, was expected to be in a fairly strong position for the World Economic Conference. Indeed, the Premier, through his tact and skill in devising compromises in exceptionally trying circumstances, appears to have supplanted Edouard Herriot as the strongest political figure in France.

The budget as adopted by the Chamber underwent considerable change at the hands of the Senate, whose Finance Committee proposed to reduce all government appropriations by 5 per cent, to eliminate pensions for war veterans occupying government salaried positions and for war widows who remarried. On M. Daladier's intervention, military expenses were exempted from the 5 per cent cut. He declared that "if people come to understand that it is time to escape from these infernal circles, like those of Dante, and to reach some simultaneous formula of disarmament, then perhaps the reduction of armaments will be possible, but not until then." He insisted that the efficiency of the French army should be maintained at all costs.

The reductions proposed by the Senate were not accepted by the Finance Committee of the Chamber of Deputies, which added 901,000,000 francs to the expenditures, and only 64,000,000 francs to the estimated revenues. When the Senate's proposal for a 5 per cent reduction came to a vote in the Chamber it was defeated by 338 to 244, and the budget was sent back to the Senate. Through the influence of Premier Daladier the Senate agreed to make an exception of expenditures already ordered while insisting on the 5 per cent blanket reduction. The Senate draft embodying this concession was approved by the Deputies on May 29. But they clung to a bill to organize a government oil monopoly—a proposal already twice thrown out by the Senate. Again M. Daladier intervened. He changed the wording from "organize" to "study and report," forced a vote of confidence on the bill and won in the Chamber by 393 to 200 and in the Senate by 167 to 121. Minor discrepancies were then disposed of and the budget was finally agreed upon by the two houses.

The struggle over the budget had a marked effect on the Bourse. Since January the 3 per cent perpetual *rentes,* considered as an index to the financial condition of the government, fell from 78.50 to 66.50 francs, and

other government bonds proportionately. With the adoption of the budget all these securities rose sharply. General economic conditions, however, show no improvement. During the first four months of 1933 foreign trade diminished by 897,000,000 francs, as compared with the total for the same period last year. This decline was marked by an increase in France's unfavorable trade balance, exports falling 965,000,000 francs while imports actually rose 68,000,000 francs.

The railroad situation is again attracting considerable attention and is thrusting serious problems upon the Cabinet. The railroad has to face increased competition from the highway. Passenger and light freight services organized by automobile companies have already cut down the receipts of the railroads by more than 2,000,000,000 francs this year. As 32.5 per cent of the price of ordinary tickets is taken by the State, the companies are agitating for a reduction of taxes, pointing out that one-sixth of their total receipts goes into the coffers of the State. A complete reorganization of the railroads is contemplated, and elaborate plans have been submitted to the government. They include reduction in taxation, regulation of competition by automobile companies, the merging of two railroad companies (the Orléans and the Midi), and the granting of State subsidies. It is also proposed that two government representatives be appointed on every railroad board. Though all these measures tend to increase State control of the transportation services, they are regarded as inadequate by the Socialists, who desire complete nationalization.

Disturbing as the fluctuations of the dollar have been, official circles have reiterated France's intention to remain on the gold standard. Rumors concerning the devaluation of the franc have been emphatically denied, and it is generally recognized that the danger for the franc lies not so much in the external as in the domestic budgetary situation. Georges Bonnet, Minister of Finance, stated in the Senate that France must give an example of a country that is determined to keep its currency stable, and he clearly indicated that, in the opinion of the French Government, the Economic Conference could not succeed unless a stable unit of currency were established. "We feel profoundly," declared the Minister of Finance, "that without such a stabilization it is not possible to speak seriously of adjusting tariffs and of laying the basis of an ordered economy, while the common standard of trade remains unstable and uncertain." This declaration was interpreted as indicating the policy that would be followed by the French Government at the conference. M. Bonnet and former Premier Joseph Caillaux were chosen to head the French delegation at London, though Premier Daladier was to preside over it during the first few days.

Much to the disappointment of the French public, the visit of M. Herriot to Washington failed to produce any concrete result, especially in regard to the war debts. Both Parliament and public still consider the debt question as paramount. The press has discussed a number of possible solutions that were supposed to be acceptable to Washington. These have received official denials. M. Herriot is waging a lone fight for the payment of the overdue December instalment, but his view has received no support from the government, nor has it met with any appreciable favor in Parliament or in the press. The French position with reference to the debt question

remains unchanged, although the French press appears to be more appreciative than formerly of the difficulties facing President Roosevelt. But it was generally agreed that Premier Daladier could hardly take the risk of proposing to meet last December's payment on the debt without giving definite assurance of America's granting a moratorium on the next instalment, which was due on June 15.

The French Ministry of War recently made public a statement on the effectives of the French army for submission to the Disarmament Conference. According to this memorandum, in July, 1913, in consequence of the increase of the period of service to three years, the total number of effectives was 979,000, including those in the colonies. In 1921 there were still 816,000, of whom 524,000 were serving in France or in the occupied territories. Since that time the period of military service has been gradually reduced to twelve months, and the total number of effectives has fallen to 603,000, of whom 358,000 are stationed in France. It was pointed out, however, that only 232,000 officers and men are fully trained and available for immediate service, and that this number includes 70,000 forming the "mobile force" that is kept in readiness to proceed to the colonies in case of need.

The anxiety of the French General Staff over the consequences of the low birth rate during the war has been known for a long time. The "danger period," as it is called, includes the years 1935-1938, when the estimated number of recruits to be called to the colors will reach its lowest point. Only 102,000 will be available in 1935, and the enrolment will not reach the normal figure of 130,000 until 1938. This prospect has always been regarded with concern by the French authorities, inasmuch as the period coincides with the time fixed by the Versailles Treaty for the Saar plebiscite and with the expiration of the existing treaties limiting naval construction.

A preliminary meeting of the National Economic Conference, to deal mainly with trade between France and her colonies, was held in Paris from May 8 to May 20. In some ways analogous to the Ottawa Imperial Conference of 1932, its purpose, as expressed by the chairman, Alcide Delmont, former Under-Secretary of State for the colonies, is "to create the closest possible bond between France and her colonies through the most complete organization of our colonial productions." The delegates took an inventory of the resources of the colonies, considered questions dealing with labor immigration, private credits and public works, and discussed the tariff schedules on trade between France and her colonies. While the main conference will not be held until August, this meeting laid the foundation for agreements to be passed upon at that time. On the eve of the Economic Conference in London the meeting was considered significant as tending to impress the French people with the idea that, with the help of her colonies, France constitutes a self-sufficing economic unit. Its immediate result was to smooth over some of the difficulties resulting from the tariff on colonial products, and particularly that on Algerian wines.

BELGIAN FINANCES

Faced with a deficit estimated at about 600,000,000 francs, the Belgian Cabinet asked Parliament when it re-

assembled at the beginning of the month for emergency powers to enable it to take steps to balance the budget. These powers were voted by the Chamber after a twenty-five-hour debate, during which Finance Minister Paul Hymans had to be protected by the ushers from bodily attacks by the Socialists. Outside Parliament there were violent demonstrations by the Communists and the unemployed, and Burgomaster Adolph Max issued an order forbidding all processions and assemblies. In debate, the government was severely criticized for its decision to pay coupons on loans issued in New York in 1924 and 1926 at their gold value, but the bill passed in the Chamber by 96 votes to 82 and in the Senate by 91 votes to 63. It grants the government full powers in financial matters for three months. The Cabinet was also authorized to contract new loans and to negotiate for Belgium at the World Economic Conference. According to reports, the government intends to reduce the salaries of State employes, to increase emergency taxes and even to reduce or abolish the dole.

Austria Defies the Nazis

By SIDNEY B. FAY
Professor of History, Harvard University and Radcliffe College

AUSTRIA, engaged during recent weeks in a severe struggle against the threat of control by the German Nazis, has found in the person of her Chancellor, Dr. Engelbert Dollfus, a first-class fighter. A man not yet forty years old, and diminutive in stature, he has shown himself possessed of backbone and determination. Besides being a well-trained economist, who has done much to improve his country's financial condition since he has been in office, he has given evidence of considerable political capacity by the vigor with which he has sought to steer a middle course between the various extremist groups opposing his minority government. His particular aim has been to preserve peace among the factions within Austria and to prevent the German Nazis from gaining control in Vienna, whereby they would virtually annex Austria to Germany.

Acting on this program of Austrian independence, Chancellor Dollfuss early in May forbade the display, except by special permission, of any flags or political symbols, except the Austrian flag. This meant the prohibition of the Hitlerite swastika as well as the Communist red banner and led to serious riots by the Nazi students. At Innsbruck the fire department, after failing to show proper energy in pulling down an insulting Fascist Heimwehr effigy from the flagpole, was dismissed. Later in the month the Chancellor ordered the dissolution of the Communist party in Austria on the ground that its aims were dangerous to the State.

When Dr. Frank, the ardent Bavarian Nazi leader, appeared in Austria with a couple of German Nazis to address a meeting, Dr. Dollfuss told him that his presence was not desired and asked him to leave the country immediately. This was regarded in Berlin as an unpardonable affront and led to

a demand for explanations from the Austrian Minister in Berlin. Meanwhile, Dr. Frank, returning to Germany, declared in a public meeting: "We will not permit our Austrian brother nation to slide into spheres of action that are opposed to those of Germany. We shall continue to fight for union between Austria and Germany with all legal means as a historic necessity, as a historic bridge into the future of the new Germany."

As if to chastise Austria for its anti-Nazi attitude, Chancellor Hitler decreed a visa charge of 1,000 marks (about $275) for German tourists entering Austria, thereby striking a blow at Austria's tourist trade, which is valued at 40,000,000 marks a year. Austria replied with the announcement that it would grant reduced railway rates to German tourists. There was also talk of an Austrian embargo on German imports, or of a refusal of foreign exchange for the purchase of German goods. Such a trade war would injure Germany much more than Austria, for the latter's purchase of goods from Germany annually exceeds by $30,000,000 her sales to Germany.

Whether Chancellor Dollfuss will succeed in his effort to keep Austria from falling under Nazi economic and political control remains to be seen. His support is drawn from the Catholics, the Socialists and the Jews. A veiled but unmistakable assurance to the Jews of Austria was given in a recent address in Vienna, which was broadcast to America, in which he said:

"Every form of race hatred or class hatred is contrary to Austrian character; in Austria all citizens have equal rights. The reconstruction of the Austrian Constitution, with which the government is now dealing, will be profoundly inspired by this modern conception and by the modern idea of the State."

Against Chancellor Dollfuss, however, are most of the Austrian students, the Fascist Heimwehr and the Austrian Nazis. Students threw stones at the train in which he was traveling to Salzburg, and they caused such a riot at the University of Vienna when he was to speak at a meeting in memory of the German Nazi hero, Albert Schlageter, that the police had to be summoned and the meeting given up. Much will depend on the continuance of his success in bringing better economic conditions to Austria and thereby lessening general discontent.

THE SAAR AND DANZIG.

In German territories other than Austria, Nazi control of Germany has had important repercussions. In the Saar territory Nazi activities have caused great resentment and have acted as a boomerang to weaken their cause, while in Danzig the Nazis have won a signal victory similar to their recent success in Germany.

On May 23 G. G. Knox, president of the commission which governs the Saar territory in the name of the League of Nations, demanded that the League Council should adopt measures to protect German officials there against Nazi menaces. Pointing out the necessity of making proper conditions for the plebiscite to be held in the Saar in 1935, he said that legitimate anxiety existed in the minds of 12,299 loyal Saar officials lest the Nazis should apply the German anti-Semitic program to the Saar in case that region should vote to return to Germany. Nazi newspapers in the territory, he said, had threatened these German officials with reprisals if they took an anti-Nazi attitude and continued to follow their consciences in

unswerving loyalty to the service of the League commission. Deploring the Nazi propaganda in the Saar, he added: "In the strictly administrative sphere pressure of this kind may have most serious consequences, and it is, in any case, inadmissible in a territory the future peace of which is still uncertain. The governing commission is therefore determined to combat it with the utmost vigor."

In the Danzig Free State, with an area of 754 square miles and a population of about 400,000, Nazi influence has increased so greatly during recent months that the police and a large part of public opinion have been won over from the formerly dominant Socialist party. Local Nazis, following the example of their party comrades in Germany, have been able to seize the building and funds of the Socialist trade unions, with the result that some Socialists talked of appealing to the hated Poles to protect them against their German political opponents.

It was therefore a foregone conclusion that, in the elections of May 28 for the Danzig Volkstag, the Nazis would be victorious. According to the preliminary figures, they actually scored a gain of 323 per cent over the previous election on Nov. 16, 1930. They polled 107,619 votes out of a total vote of 215,135, or just over 50 per cent. Only the Centrists showed a slight gain. The Communists dropped 6,000 votes, the Nationalists 12,000 and the Socialists 10,000.

Hermann Rauschning, who was put forward as the Nazi candidate for President of the Danzig Senate in place of the former President, Dr. Ernst Ziehm, declared after the election that the Danzig Free State would respect the existing Constitution and all its treaty obligations, adding: "The Jewish problem plays no rôle. We Nazis are ready to clear the atmosphere with reference to all Polish-German questions, but only on a basis of mutuality." Though there has been chronic friction between Poles and Germans in Danzig, the election passed off without serious disorders.

NAZI RULE IN GERMANY

The economic relief plan of the Hitler government was made public in part on June 1. A program of government-financed public works, it is hoped, will partially relieve unemployment until industry and agriculture have regained their former prosperity. Interest rates on agricultural debts are to be reduced 4½ to 5½ per cent, the government paying the creditors the difference. Agricultural estates that are hopelessly encumbered with debt are to be divided into peasant holdings. To promote marriages, which have fallen off in number since the war, a special tax is to be placed upon bachelors, while government loans will be made to young couples who wish to marry. Those receiving such loans would repay in instalments, the wives meanwhile being debarred from accepting work outside the home unless their husbands earn less than 125 marks a month. Those working on the government projects —roads, bridges and so forth—will receive their regular unemployment dole, one warm meal a day and scrip for the purchase of clothing and household goods. But the larger aspects of the Hitler program of remaking the German Reich have still to be disclosed.

The restrictions on the freedom of the German press, already drastic, were further tightened by a law of May 20 which was to become effective on June 1. This new censorship law extends the penal provisions for treason from purely military to diplo-

matic affairs. It provides that "whoever obtains objects or news that the welfare of the Reich or a State requires shall be kept secret from other governments with the intention of transmitting them to another government or publishing them will be punished with imprisonment at hard labor up to ten years." Under the first press decrees of the Hitler government only the dissemination of false reports was punishable. By the new decree the distribution of true reports is also punishable if secrecy is held desirable by the government. It is not clear whether this law is applicable to foreigners or not, since there is some doubt whether a foreigner can commit treason against a country of which he is not a citizen.

On March 23 it was reported that *Germania,* which for more than half a century has been the official organ of the Catholic Centre party, was to be detached from the party and would no longer be its official organ. Through a stock-ownership arrangement between Vice Chancellor von Papen and the Prussian Credit and Cooperative Bank, which is owned by the Prussian Government, *Germania* was to become a Catholic conservative paper. Several of the leading Socialist newspapers have been forced into bankruptcy, the latest being the *Volksstimme* of Frankfort-on-the-Main and the *Volksblatt* at Nassau. On May 29 the German Government suspended for three months the publication of the *Deutsche Allgemeine Zeitung* for its criticism of the government's imposition of a retaliatory visa charge of 1,000 marks on Germans wishing to visit Austria. This newspaper was distinguished by its pro-Hitler policy in Republican days, but recently its attitude of independent criticism and its courage in expressing moderate views have incurred Nazi displeasure. This same independence had made it one of the most popular and influential German newspapers since Herr Goebbels became Minister of Propaganda

The first considerable check to the success which the Nazis have enjoyed since Hitler came into power occurred in the refusal of the German National Protestant Church to accept his dictation in the choice of its Bishop. In accordance with the Nazi policy of unifying Germany, twenty-nine Protestant organizations hitherto separate in organization have been united in a single German Protestant Church, which has a common creed though at the same time each church retains its own individual creed.

At the head of the united church there is to be a Lutheran Bishop and cooperating with him a spiritual ministry or cabinet representing non-Lutheran evangelical bodies. Each member of this cabinet will conduct the affairs of his particular faith. A national synod is to be created, partly by election and partly by appointment consisting of persons who have given outstanding evidence of their abilities in church matters. This synod is to cooperate in promulgating church legislation and in appointing church heads.

So far, in amalgamating the churches with a common creed and a unitary organization, there were no serious conflicts between the Nazis and the Protestants. But when it came to the choice of the Bishop who should preside over the church, sharp disagreement developed. The Protestants elected the Rev. Friedrich von Bodelschwingh, widely known as a welfare worker and a non-political clergyman. Since he had not been identified with any political party, his supporters hoped that his choice as Bishop would arouse no violent oppo-

sition and secure the church against political interference. His election, however, roused the ire of the Rev. Ludwig Mueller, a chaplain in the army and one of Chancellor Hitler's chief advisers in religious matters. As head of the "German Christians," a group of Nazi Protestants, Mueller expected and insisted that he should be elected, and when he was not he broadcast a bellicose statement declaring that the new church had "not understood the call of the hour nor heard the voice of God summoning us to valorous deeds. We German Christians cannot accept this election."

The most notable protest against Nazi oppression of Jews has been the petition to the Council of the League of Nations from Franz Bernheim, a former resident of the German Upper Silesia. His petition, drawn up in Prague on May 12 and presented to the League Council at Geneva a week later, pointed out that the dismissal of Jews in Upper Silesia is contrary to the German-Polish Convention of May 15, 1922, in which the German Government guaranteed the same civic and political rights to all inhabitants of German Upper Silesia, without distinction of race, language or religion. It declared that the anti-Semitic legislation of the Hitler government had been applied in Upper Silesia as in the rest of Germany, and requested the League of Nations, as the guarantor of minority rights, to take measures to put an end to this legislation so far as it affected Upper Silesia in violation of the German-Polish Convention.

The Hitler government sought to prevent the question from being aired publicly at Geneva by informing the League that if infractions of the 1922 convention had occurred this could only have been the result of errors committed by subordinate officials. Nevertheless, the Council of the League decided to consider the petition. On May 30 Sean Lester, the Irish member of the Council, reported that Germany's anti-Semitic legislation did conflict with Germany's treaty obligations in Upper Silesia, but stressed Germany's recent declaration to the Council which implied that she would annul the illegal legislation in Upper Silesia, that those who had lost their employment thereby would be reinstated without delay and that other questions of compensation would be investigated locally.

Friedrich von Keller, the German representative, held to Germany's recent declaration, which he affirmed should be sufficient. Refusing to accept Mr. Lester's report, he contested Herr Bernheim's right, first, to submit the petition at all, and, second, to raise the general issues that he did, since Bernheim himself was not affected by the laws he complained of. Though Germany abstained from voting, the report was adopted. The hearing on the substance of the report has been postponed pending consideration of Germany's two objections by a committee of jurists.

During the discussion many members of the Council, in firm but friendly tone, deplored the general anti-Semitic movement in Germany. By softly spoken statements it seemed as if they would shame the Hitler government into amending its anti-Semitic program throughout Germany and warn it by implication that if it continued to be recalcitrant they would go into the matter so far as it affected the legal situation in Upper Silesia.

Meanwhile the world-wide protest against the Nazi oppression of the Jews has continued and seems to have had some slight effect in Germany. American Jewish organizations have begun a campaign to raise $2,000,000

to aid the destitute Jews in Germany. Rabbi Jonah B. Wise made a trip to Germany to confer with Jewish leaders there in order to give them aid and comfort and to confer with them concerning the best way to secure measures on their behalf. The German Government appears not to be opposed to this movement.

Twelve hundred American clergymen of the Christian faith, representing twenty-six denominations in forty-one States and Canada, on May 26 made public a petition to be sent to the leaders of a dozen Protestant denominations in Germany. Other protests have been forwarded by American students to German students. Fifty-one prominent members of the New York Bar Association on May 28 sent to Secretary of State Hull their protest on behalf of German lawyers, and requested Secretary Hull to transmit their protest to the German Government if such action were consistent with diplomatic usage and precedents.

Certain trade organizations have adopted agreements to boycott German goods, and the trade-mark, "Made in Germany," has again become a handicap. German ships arriving in foreign ports have, in some instances, encountered trouble from dock workers who, perhaps more out of sympathy with the Communists and Socialists than with the German Jews, have demonstrated and refused to unload German cargoes.

As an indication of somewhat more moderate treatment of Jews, it was announced on May 19 that Jewish stockbrokers would be allowed to continue their calling. On May 23 at the meeting of the Kaiser Wilhelm Society for the Advancement of the Sciences, Professor Max Planck, German physicist and Nobel prize winner, who recently resigned his professorship in protest against the gov ernment's anti-Semitism, declared a president of the society that no on in Germany could be permitted t stand aside from the National Revo lution. The society sent a message t Chancellor Hitler giving "its solem pledge that German science is ready t cooperate joyously in the reconstruc tion of the new National State." N more scientists of Jewish extractio have been eliminated from the societ and three Jews were re-elected to it governing board.

On May 28 a gigantic memoria service was held near Düsseldorf t dedicate a great cross in memory o Albert Leo Schlageter. A young pa triot who had fought through th war, he took part in the struggl against the French occupation of th Ruhr in various ways—for instance by sinking canal boats to obstruct th French transportation of German coa from the district. He was seized b the French and shot. Little attentio was given to the event at the time but since then he has become the na tional hero of the revival of the Ger man spirit.

In order not to give offense t France and to avoid increasing Ger many's political isolation, Chancello Hitler did not attend in person no allow the participation of the Reichs wehr in the celebration. But member of his Cabinet were present, as wel as large delegations from the Storm Troops and the Steel Helmets an masses of school children. Herman Goering, Reich Aviation Minister an Prussian Premier, who delivered th main oration to the 300,000 person in attendance, celebrated the triump of the spirit of Schlageter, not as a triumph over the France that kille him, but over the former "Marxist" régime which forgot him.

Spain at War With the Church

By WILLIAM E. LINGELBACH
Professor of European History, University of Pennsylvania

THE struggle in Spain between the State and the Catholic Church entered upon a new phase on May 17, when the Cortes by a vote of 278 to 50 passed the bill forbidding teaching by members of the religious orders. As finally adopted, the measure ranks with the statute on Catalan autonomy as one of the most important enactments of the Republican régime. Under its provisions, teaching by monks and nuns must cease in the secondary schools by Sept. 30 and in primary schools by Dec. 31. More than 80,000 teaching members of the religious orders will be affected, while the government will be faced with the difficult task of finding lay teachers to replace them. The passage of the act also brings into force automatically the provisions for the nationalization of all church properties, which have an estimated value of over $500,000,000. They will remain in the custody of the clergy, but will be subject to the disposition of the republic.

Almost as President Zamora signed the bill, Pope Pius addressed an encyclical to the Bishops, clergy and people of Spain protesting against the anti-clerical legislation of the Spanish Republic. The encyclical condemned the separation of Church and State as a "very grave error" and scored the ban on teaching by the congregations as a measure of "deplorable ingratitude and flagrant injustice." The Pope also declared that "while all opinions, even the most erroneous, are to have ample ground to manifest themselves, only the Catholic religion, which is the religion of almost all Spanish citizens, is to see its teaching odiously spied upon, its schools and other institutions hindered and the exercises of Catholic worship, religious processions, even the administration of sacraments to the dying and the celebration of funerals for the dead impeded." Finally, all Spanish citizens were called upon to defend the faith. Meanwhile, as the government, ignoring the encyclical, made haste to put the religious laws into effect, the threat of excommunication hung over the President of the republic and the Deputies who voted for the church laws.

The Church Bill on religious teaching was passed in the midst of a threatened political crisis. Encouraged by success in the municipal elections, Opposition groups in the Cortes renewed their attacks on Premier Azaña's Left Wing Socialist coalition with renewed vigor. According to *El Sol,* Opposition Republicans elected 4,206 town councilors, the parties of the Right--chiefly Monarchists—4,954 and the pro-government groups 5,048. The women's vote and the strength of the Conservatives and Monarchists in the provinces, where a large percentage of the electorate is still illiterate, account in the main for the anti-Republican returns. Speaking for the Republican Opposition, Deputy Martinez Barrios refused flatly to accept Azaña's proposal for a truce till the government measures were adopted. The Opposition, he declared, would continue its filibustering tactics until

the Ministry, recognizing that it no longer had the confidence of the people, resigned. Monarchist Deputies were even more irreconciliable in their attitude. The government, however, retaliated by passing a gag law limiting amendments and debate, and then proceeded to force the last sections of the pending Church Bill through the Cortes.

The Socialists, who constitute the strongest group behind Azaña, on May 1 gave an impressive display of their strength through a strike of the labor unions in the principal cities of the nation. All business was suspended; street cars, subways, taxis, mail, telegraph and telephone service ceased; shops, restaurants, theatres and places of amusement were closed. There was no place to go and no means of going. In Madrid it was impossible to get meals, buy milk or food, or, for that matter, to spend money. As a warning to the enemies of the republic and to the Republican Opposition, this scientifically planned paralysis of the life of the urban communities seems to have had a salutary effect. But the government went further. On the night of May 8 it arrested General Goded, whose Royalist sympathies were suspected, despite his offer to overthrow the Rivera dictatorship and his reply to Alfonso in April, 1931, that the army would no longer fight for him. Later in the month he was exiled to the Canary Islands, while a score of naval officers were placed under arrest for attending a political dinner in honor of Alejandro Lerroux, the leader of the Opposition in the Cortes.

Desultory disorders continued during the month. Three churches were bombed in Burgos. A strike of the Anarchist-Syndicalist group failed utterly, but not till it had paralyzed for a short time a score of towns in the Barcelona area. The Socialist General Labor Union, for example, forbade its members to join in the strike and once again brought into sharp relief the difference between Socialists and Syndicalists. The Basque Nationalist dissatisfaction manifested itsèlf by an attack on the Presidential party during President Zamora's visit to Bilbao. A considerable number of Basque demonstrators were arrested. In Catalonia lawlessness and terrorism continued; clashes between Syndicalists and the police occurred frequently during the first two weeks of May.

The hostility of Spanish Communists to Hitler and the Nazi régime in Germany nearly brought disaster to the German freighter Klio which arrived at Seville on May 26 flying the Nazi flag. When the stevedores, who are mostly Syndicalists, refused to unload the vessel, the German officer, hoping to placate them, hauled down the Nazi emblem and hoisted the Spanish flag. By mistake, however, it was the flag of the monarchy. A new riot ensued during which Alfonso's flag was torn down before the police restored order. At Barcelona the Socialist trade union issued orders not to unload ships flying the Nazi ensign.

At the beginning of the month the officials of the General Motors Company, who had been held for trial under heavy bail for the illegal export of specie from Spain, were unexpectedly released for want of adequate evidence. New and better trade relations with the United States have been advocated by different Chambers of Commerce, especially that of Barcelona. The American Chamber of Commerce of Madrid has begun an inquiry into the problems of Spanish-American trade, the results of which it is proposed to present to Claude

G. Bowers, the new American Ambassador. In commercial quarters generally it is hoped that he will arrange a new treaty to restore the reciprocal trade concessions that existed before 1930.

Ambassador Bowers has already won popularity with Spaniards by his attendance at a major bull fight and his frank admission that he liked it. Despite the very considerable increase in athletics under the republic, bullfighting continues to be the Spanish national sport. The magnificent new bull ring nearing completion in Madrid will replace the old Plaza de Toros and will seat 24,000 persons, 10,000 more than the old arena. The season for the sport opens officially on Easter Sunday and lasts until Autumn. During this period, two major bull fights take place in the great ring every week.

SOVIET-ITALIAN TRADE

After protracted negotiations, the trade agreement between Italy and the Soviet Union was formally signed on May 6 by Mussolini and M. Levenson, Russia's Trade Commissioner to Italy. By its terms, most-favored-nation treatment is extended to all Russian goods exported to Italy. In the list of articles of commerce between the two countries, Italy will export manufactures such as motor cars and electrical equipment, importing in turn wheat, timber, metals and other raw materials. Because the treaty is typical of the bilateral commercial agreements so popular in recent years, it has an especial significance on the eve of the convening of the World Economic Conference. After the enactment of the Smoot-Hawley tariff, European countries became hostile to America, adopting retaliatory policies. Acrimonious press attacks and prolonged discussions made matters worse and soon led to hostile trade measures. Thus, Italian duties on American imports were rapidly increased; on the cheaper class of Fords, for example, from $350 to $812.50. A 15 per cent ad valorem duty was imposed on all except a few exempted articles. As a result, a good deal of Italian trade has been gradually diverted from the United States to countries which are ready to grant reciprocal advantages to Italy's agricultural products, as well as to her marble, cars, ships, and silk, wool and cotton manufactures.

Increasing government control of industry, agriculture and commerce gives Italy a peculiar advantage in negotiations on international trade matters. In agriculture the results of Mussolini's "Battle of the Wheat," according to official reports, show that wheat production has increased 70 per cent since 1922, from 43,992,000 to 276,835,240 bushels, with only 6½ per cent increase in the area cultivated. Such an increased yield per acre, with an improvement in quality at the same time, is remarkable. By extending the campaign to include other crops, rice production has been increased 41.4, corn 54.5 and oats 64.6 per cent. According to many, the more general term "Battle of Agriculture" more correctly defines Fascist activity in this respect. Another phase of the movement is seen in cheaper costs. This is reflected further in the trade balance, which stood at 549,000,000 lire at the end of April, as against 770,000,000 lire at the same time last year. [At par the lira is worth 5.26 cents.] Both imports and exports fell heavily during the first four months of the year, but the more favorable trade balance is mainly due to the falling off in the importation of foodstuffs.

In the political realm the arrest of

twenty-four students at the University of Rome because of anti-Fascist leanings is regarded as a possible preliminary to a purging of the higher institutions of learning. More significant is the request of the Minister of Finance for an additional appropriation of over 3,000,000 lire for political investigation and the incorporation with the political police of the officers of the Black Shirt Militia. That differences of opinion exist within the Fascist ranks again became apparent with the resignation of Deputy Leandro Arpinati, Under-Secretary of State for Home Affairs, after a disagreement with Starace, the Secretary General of the Fascist party. Arpinati has been a distinguished member of the party from its early days, and his difference with Starace reflects the frequent divisions over policies between the provincial leaders and prefects and the Fascist federal secretaries. According to press reports, Deputy Arpinati will continue as chairman of the Italian Olympic Committee.

Premier Mussolini on May 24 reviewed Rome's 40,000 Young Fascists—the Balilla, the Avanguardista and the Young Fascists of Combat—on the occasion of their graduation to the higher rank. On the following day, in commemoration of the World War, he reviewed 10,000 motorcyclists, "Centaurs," giving the Fascist salute as they rode by.

While the youth groups of fascism reply to the query, "To whom the future?" with shouts of "To us," Italians generally are being made more and more race-conscious by the reclaiming and restoring of ancient monuments. In preparation for the 2,000th anniversary in 1937 of the birth of Augustus, the founder of the Roman Empire, Professor Paribeni, the Director of Fine Arts, announced that the monuments to Augustus throughout Italy would be restored. In the meantime, Mussolini himself has undertaken to write a life of Julius Caesar based not on Plutarch's life, which served as the source of Shakespeare's *Julius Caesar,* but upon the little known but more authentic chronicles of Dion Cassius Cocceianus. According to the announcement, Giovachino Forzano will again collaborate with the Duce.

Unhappily, friction with France and the Little Entente powers has continued. Early in May Ugo Traviglia, a young warrant officer of the Ministry of Marine, who had been induced by a handsome young woman, Camilla Agliardi, to betray important military secrets to the French and the Yugoslavs, was secretly tried by a military court and shot. Upon the request of the King, the woman's sentence was commuted to life imprisonment.

On May 4 Admiral Siriani, Secretary of the Navy, announced that two new cruisers of about 7,000 tons each and two torpedo boats of 600 tons each were to be built during 1933-34.

PORTUGUESE COLONIES

During April and May much excitement prevailed in Portugal over the rumor that the Portuguese colonies had been discussed by the powers at recent diplomatic conferences. Despite British assurances that the rumor was without foundation, the affair occasioned much chauvinistic oratory and writing. That Portugal is thoroughly awake to the needs of developing her colonies is evident. That her small population and equally small resources make an adequate program in that direction possible is not so certain. In the meantime, the government is in a strong position at home. Even finances, under the able administration of Dr. Oliveira Salazar, are sound and gold reserves are 44.10 per cent of the liabilities.

Poland's Diplomatic Problem

By FREDERIC A. OGG
Professor of Political Science, University of Wisconsin

NOWHERE in Europe has the projected four-power pact of Great Britain, France, Germany and Italy been opposed more vigorously than in Poland. Far from promoting or enforcing peace in Europe, according to the almost unanimous opinion of press and official circles in that country, the pact would produce only uneasiness and fear. The broader agreement embodied in the covenant of the League of Nations would be upset and an autocratic directorate established which would be unsympathetic to the principle of international democracy supposed to underlie that instrument. Furthermore, while frontier revision may be postponed for a period of years, the Poles believe that the main objective of Germany and Italy, and, to a less extent, of Great Britain, is revision and Poland is bound to resist it. The official *Gazetta Polska* declares that no alteration of the plan along lines which would still leave it some meaning could be acceptable to Poland, and in an interview on May 23 Foreign Minister Beck asserted that his country rejected any and all schemes looking toward supplanting the supremacy of the League by that of an inner circle of four or any other number of larger powers.

Indications of Polish-Soviet friendship, based on the recently signed non-aggression pact, have multiplied. On May 1 Marshal Pilsudski, who rarely sees foreign diplomats, received the Soviet envoy Owsiejenko; a Soviet trade mission, bent on a study of Polish commercial and industrial conditions, has participated in a Polish national holiday celebration, and Poland was represented officially in the May Day parade in Moscow. A Soviet art exhibition was Warsaw's most successful artistic event of the year. Still other evidence could be cited. With Germany claiming large areas of Polish territory and manifestly bent on treaty revision, and with a militant Nazi government installed in Berlin, the Poles are more than ever certain that as between their great eastern and western neighbors the former is the one to be cultivated and trusted. Marshal Pilsudski is reported to have assured the Soviet envoy that the war is forgotten and its consequences liquidated.

The month of May, to be sure, saw a good deal of effort to improve relations between Poland and Germany. After a conference on May 3 between Chancellor Hitler and Dr. Wysocki, the Polish Minister in Berlin, it was reported that both nations intend to act strictly within the framework of existing treaties. As a correspondent of *The New York Times* remarked, the statement suggested only the customary hackneyed diplomatic phraseology. Nevertheless, it was taken as a promise to maintain the status quo, if not evidence of an actual rapprochement, between the two countries. It was suspected, too, that Premier Mussolini had urged upon Vice Chancellor von Papen and Captain Goering, when they recently visited Rome, that improvement of German-Polish relations would help to fore-

stall a Polish pact with the Little Entente which might eventually block the way to a German-Polish accord. Prevention of a close link between Poland and the Little Entente not only would ease Germany's position in regard to some of the difficult problems awaiting solution along her eastern frontier, but would also fall in with Mussolini's policy by averting extension of the Little Entente's field of influence in Central Europe through the acquisition of active Polish cooperation.

The first normal succession to the Presidency in the Polish Republic's stormy history occurred at the end of May, when President Ignace Moscicki, Professor of Chemistry at Lwow University, was inaugurated for his second term. At the election on May 8 President Moscicki—who had the all-important support of Marshal Pilsudski—received 333 votes in the National Assembly, which acts as the electoral body; a Communist candidate received three, and the rest of the Opposition, composed of Socialists, Nationalists, Peasants and Ukrainians, refrained from voting. President Moscicki was first elected to the office on June 1, 1926, after Marshal Pilsudski's refusal to accept the Presidency following the coup d'état. While in office he has kept aloof from politics.

On May 10 Colonel Alexander Prystor retired from the Premiership for reasons of health and was succeeded by Major Janusz Jedrzejewicz. The Cabinet otherwise was unchanged except for the portfolio of Agriculture which was assigned to M. Nakonieczniknikoff, former Under-Secretary of the Interior.

CZECHOSLOVAK FOREIGN RELATIONS

At a meeting of the Foreign Affairs Committee of the Czechoslovak Parliament on April 25, Foreign Minister Benes made a notable speech in which he reviewed the outstanding problems of Europe and stated the relation of his country and of the Little Entente toward them. Conceding that minor frontier rectifications might become desirable, he insisted that they should be made only on the basis of Article XIX of the League covenant, maintaining that, in general, existing treaty provisions concerning frontiers are "final and unalterable." M. Benes undertook that if changes should be forced he would do his best to guard against any weakening of Czechoslovakia's position. Interpreting Mussolini's plan for a four-power pact of major powers as "the climax of Fascist ideology and political practice" during the past ten years, he found something in it to approve, but deplored any tendency to erect a European directorate that should result in making pawns of the lesser States after the manner of pre-war days. He ardently defended the Little Entente as a stabilizing and necessary factor in Central European politics, and denied that it was created as a defense against Hungary, or was inspired from Paris, or is "a vassal of the policy of Paris and an instrument of French hegemony."

Continuing its efforts to prevent the spread of Hitlerism into Czechoslovakia, the Prague Government on May 8 published a list of 334 foreign newspapers, the circulation of which was prohibited. Austrian Nazi journals were included, though naturally the majority were German, including the *Voelkische Beobachter* and other leading organs of the Hitler government. In Troppau and other frontier districts, government manifestoes warned the populace against political excursions into Germany and the cultivation of relations with Nazi troops.

The Czechoslovak delegation at ˌeneva on May 19 stated that, contrary to rumor, Foreign Minister ˌenes would not take the initiative, .s a member of the League of Naions Council, in bringing the Jewish ituation in Germany before that ody. It was added, however, that he vould support such a move if some ne else started it.

HUNGARIAN POLITICS

Budget debates in the Hungarian Parliament shortly before the middle f May were enlivened by numerous eferences to the new international ituation created by the advent of nilitant Hitlerism in Germany. Pracically all speakers, irrespective of arty, were agreed that if a union of ustria with Germany should result, Hungary would be gravely endanered, and the Legitimists—now led y Count John Zichy, in succession to he late Count Albert Apponyi—eized the opportunity to argue that nly by a monarchist restoration in Hungary, to be followed by close coperation with Austria, could the nenace be averted. Deputy Bleyer, professor in the Budapest Univerity, and a spokesman of the German arliamentary minority, protested gainst the lack of provision for Geraan schools in the country and delared that the question of treaty reision as affecting Hungary was rrevocably bound up with fair treatnent of minorities. For his rashness e was challenged to a duel by Naionalist Deputy Zslinszky. A Nationlist demonstration against Professor Bleyer by students of the university ulminated in the arrest of fifty-six f their number.

Meanwhile, the hopes of the Hunarian Legitimists and to a degree of ustrian as well, were dashed by a peech of Premier Goemboes, who declared that no form of political union between the members of the old dual monarchy was to be contemplated, and that a revival of kingship at Budapest would not contribute in any way to relieving the country of its troubles. The Legitimists were admonished to drop their schemes which would merely bring them into conflict with the government.

Replying on May 28 to a proposal of Deputy Max Fenyoe, as president of the Industrial League, that Hungary should divorce her revisionist claims from those of Germany on the ground that Hungary can count on the world's sympathies while Germany can no longer do so, Foreign Minister Kanayaya told Parliament that revision of the peace treaties can be treated only as a whole. He stated that he believed it improbable that the Hitler government would revive the movement for *Anschluss.*

GREEK POLITICAL STRIFE

The fourteen-hour dictatorship in Greece of General Nicholas Plastiras on March 6 had further reverberations on May 12, when General John Metaxas introduced in the Chamber a bill of impeachment against ex-Premier Venizelos on charges that not only had he failed to order the "dictator's" arrest but that he had actually incited the coup. The Tsaldaris Cabinet, which had sought to prevent any action against the former Premier and his colleagues, on May 19 urged the Chamber not to proceed with the Metaxas motion, on the ground that to do so would merely increase unrest in the country. In the end the majority yielded to the argument and it was announced that the Chamber would probably adjourn for two months to enable the Premier and certain of his colleagues to go to the Geneva and London conferences. Venizelos derided

the government's action and, considering the charge as still hanging over him, denied that he would seek amnesty or would accept it until his guilt had been proved.

Although the People's party, which is now in power, has nominally acquiesced in the republican form of government, many of its most prominent members, including Premier Tsaldaris himself, are known to be royalists at heart. Therefore the defeat administered to Venizelos and his forces at the last election has raised the important question of whether the country is going to revert to monarchy. There is no present means of knowing, but it is interesting to observe that whereas until recently the only serious candidate for the throne was the exiled King George, a movement has now begun for a return to the Wittelsbach family in the person of Prince Rupprecht, the former Bavarian Crown Prince. The rule of the Wittlesbachs in Greece began exactly a hundred years ago, and lasted thirty years. Not long since, Prince Rupprecht spent a few days in Athens.

On May 21 the $7,500,000 Amercan share of the Greek public works loan, held chiefly by J. & W. Seligman and the National City Bank of New York, was renewed for a period of twelve months, with interest at 3 per cent, half the previous rate.

BULGARIAN AFFAIRS

Conditions in Bulgaria continue almost incredibly bad. Because agricultural prices are down to the lowest levels on record, large portions of the population—80 per cent of which is engaged in tilling the soil—are in deep distress. Actual starvation is reported in both country and town. Capitalizing this situation, both the Communists and the Macedonians are carrying on a persistent agitation with which the government has thus far found only ineffectual means of dealing. As recorded in these pages last month, all Communist Deputies were excluded from the Sobranye on April 12. But this has stimulated rather than checked propagandist activities among the impoverished and illiterate peasantry. The Internal Revolutionary Macedonian Organization, led by Vatcho Michailov, has started a new war on the opposing group of Protogerovists, and is reported also to be planning a renewed Comitadji campaign against Serbian Macedonia.

Moreover, the financial situation is precarious. Notwithstanding drastic reductions of expenditures, national and local deficits continue to mount. On May 8, the Finance Minister announced that permission had been secured at Geneva to issue bonds for 900,000,000 leva, of which one-third would be taken by the National Bank. [At par the leva is worth about .7 cents.] The pay of State employes, pensioners and government contractors is in arrears.

ALBANIAN INDEPENDENCE

The wish may be father to the thought, but it is reported from Scutari, by way of Belgrade, that Albania's connections with Italy are in a fair way to be liquidated. Having closed the country's Italian Catholic schools, King Zog's government has suffered a reduction of 700,000 gold francs in its annual subvention from Rome. In addition, negotiations for the regulation of the Albanian debt to Italy are said to have broken down. Other reports maintain that all Italian officials attached to the Albanian administration will presently be superseded by Albanians.

Anglo-Scandinavian Trade Pacts

By SIDNEY HERTZBERG

THE conclusion on May 15 of trade agreements with Great Britain by Sweden and Norway, preceded three weeks before by the signing of the Anglo-Danish trade pact, details of which were set forth here last month, means that Scandinavia's most important foreign market is stabilized, at least for the three years during which the treaties will be in force. Scandinavian farmers and business men who feared a serious curtailment of their markets after the British Imperial Conference at Ottawa can now breathe more easily.

The essence of the new agreements is that Sweden and Norway are sure of their British market. The obligation they assume in return for this security is an increase in their purchases of British coal. Premier Mowinckel, in submitting the treaty to the Storting, pointed out that Norway was insured against tariff increases on nine-tenths of the goods she exports to Great Britain. In a similar vein, the *Svenska Dagbladet* of Stockholm says: "The chief value of the new agreement lies in the fact that it appears to guarantee normal and relatively undisturbed trade between the two countries."

Under the new treaties, Sweden must buy not less than 47 per cent of her coal imports from Great Britain and Norway not less than 70 per cent. In computing the total amount of coal imported by Norway, the output of the Norwegian-owned mines in Spitsbergen is not to be included. Compared with 1931, the increase in British coal exports to Sweden will be 1,046,000 tons and to Norway, 538,000 tons.

The rest of the commitments on the Scandinavian side are in the form of tariff concessions on such products as wool and cotton textiles, automobiles, motorcycles and shoes. Norway agrees to reduce existing duties on twenty-four items, not to increase rates on eleven items and to abolish duties on twenty-three items. Sweden promises free entry for thirteen items on its schedule, reduced duties on thirty-six items and no increases on fifty-seven items.

Great Britain agrees to keep newsprint, wooden pit props and wood pulp on her free list and to add to the list telegraph poles which now pay a 10 per cent duty. The tariff on certain kinds of writing and wrapping paper is reduced from 25 to 16 2-3 per cent. A reduction from 33 1-3 to 20 or 25 per cent is made on types of steel in which Sweden is specially interested.

Swedish butter, bacon, ham and eggs are assured an "equitable" share of the British foreign imports of these products. Sweden's part of fish imports, the duty on which remains at 10 per cent, is not less than 43,000 hundredweight annually, exclusive of fresh water fish and eels. The minimum yearly allocation to Norway is 500,000 hundredweight of fresh herrings and 240,000 hundredweight of white fish—a cut of 10 per cent in the average imports for the past three years. The British duty on cod-liver oil will not exceed 10 per cent, but this clause will cease to be binding if the

Ottawa agreements with Newfoundland come into force. If the British Government can induce South Africa to reduce the duty on whale oil, Norway will in return make concessions to such colonial products as tea, lime-juice and spices.

A trade agreement between Iceland and Great Britain was signed in London on May 19, 1933, and unanimously adopted by the Icelandic Parliament five days later. By its terms, Iceland is to buy at least 77 per cent of her coal imports from Great Britain without increasing the present duty. Iceland also grants reduced rates for a number of products which Great Britain is anxious to sell. Great Britain promises not to raise the existing tariff on fresh or salted fish and promises to buy not less than 354,000 hundredweight a year from Iceland. She also undertakes to give equitable treatment to Icelandic exports of chilled mutton and lamb.

Negotiations for a new trade agreement between Finland and Great Britain were begun in London on May 23. British cultivation of her northern market is incessant. Under the patronage of the President of Finland and the Prince of Wales, a "British Shopping Week" will be held in Helsingfors from Sept. 4 to 11. In Stockholm, plans are being completed for the establishment of a British Chamber of Commerce. Scotch manufacturers propose to send a trade mission ship, containing exhibits of their products, to Scandinavia during the Summer.

SWEDISH AFFAIRS

On May 21, Stockholm witnessed one of the most extraordinary demonstrations in the history of Sweden when approximately 45,000 persons paraded through the streets in protest against Communist infractions of law and order and, indirectly, the laxity of the Social-Democrats in dealing with them. The marchers were led by Admiral S. A. A. Lindman, 71-year-old Conservative statesman, who told them that "the Communist weed must be torn up by the roots wherever it appears."

The exact significance of this demonstration is not clear. It was not a Fascist parade; its leaders were not Fascists and there is no reason to believe that there were many more Fascists among the marchers than the inconsequential handful in Sweden who openly call themselves by that name. On the other hand, the purely Conservative elements in Sweden are not given to parading. In order to have brought them out in such numbers, resentment against Communist activities, which, after all, is one of the emotional touchstones of fascism, must have been pretty deep. On May 15 the Cabinet had introduced a bill authorizing it to prohibit the wearing of political uniforms or badges on the sleeve whenever such action should be deemed necessary for the preservation of order.

King Gustaf V was to celebrate his seventy-fifth birthday on June 16. Ordinarily such an anniversary would be elaborately celebrated. But the King asked that no special notice be taken of the day because of the depression and because he felt that the impressive tributes paid to him on his seventieth birthday need not be repeated. Despite his age, the King retains his agility of mind and body. He is a popular and a happy monarch. Informal photos of him in tennis costume are familiar to newspaper readers throughout the world. In recent years Crown Prince Gustaf Adolf, who is now 50 years old, has frequently acted as regent for his father.

DENMARK'S NEW BANKING LAW

The creation of a Danish crisis fund to bring about greater liquidity of

credit was provided for in a new banking law enacted by the Riksdag late in April. The fund is expected to amount to more than $40,000,000. It will be obtained by the issuance of Treasury bills to be discounted by the National Bank. The money is to be administered by a committee of five, who will be directly responsible to the Ministers of Commerce, Finance and Interior. Thus, an entirely new national credit institution, in no way responsible to the National Bank, is to be superimposed on the country's regular financial structure.

The objects of the fund are to grant advances to agricultural credit institutions whose debtors, in accordance with the moratorium law, do not meet interest and sinking fund payments; to make advances to needy banks for a period of five years; to make advances to business enterprises whose liquidity may be endangered by the moratorium law; to guarantee bank losses on loans made to new or existing businesses; to finance building to the point where ordinary mortgage arrangements can be made, and to buy bonds secured on real estate.

Another provision of the bill fixes the interest rate on bank deposits at 3 per cent for three months' notice and 3½ per cent for six months' notice. At the same time, all banks must reduce interest on advances by at least the same amount as their deposit rates are cut. The reduction of the National Bank's rediscount rate from 3½ to 3 per cent on June 1 brought a favorable reaction on the stock and bond market.

Mrs. Ruth Bryan Owen, the new American Minister to Denmark and the first woman diplomat accredited to Copenhagen, was received by King Christian on May 29. Unusual demonstrations of friendliness greeted her on her arrival. The Danes, recalling Mrs. Owen's father, William Jennings Bryan, decided that the new Minister's policies as well as her personality were highly acceptable to them.

FINNISH SEAMEN'S STRIKE

Up to the beginning of June no progress had been made in the settlement of the strike of Finnish seamen which began in the middle of April. The seamen, who are demanding higher wages, have obtained the active support of the Transport and General Workers' Union and the National Union of Railwaymen in Great Britain. On May 24 the British unions donated £500 to the Finnish strikers and decided not to handle cargoes arriving in Finnish ships if the strike were not settled within three weeks. Swedish and Norwegian transport workers were reported at the same time to have begun a boycott on Finnish vessels. Finnish shipowners were trying to break the strike by employing non-union labor.

A NAZI IN SCANDINAVIA

A "good-will" tour of the Northern countries undertaken during May by Alexander Bogs, head of the Scandinavian section of the Nazi press department, seems to have had the effect of solidifying the feeling against the Nazis in that part of Europe. Herr Bogs began his misadventures in Copenhagen where he excluded from a press conference the representative of the *Göteborgs Handels-och Sjöfarts-Tidning*, a widely respected liberal newspaper, on the ground that the paper "had insulted Herr Hitler." This incident and Herr Bogs's criticisms of the local press astonished and outraged Scandinavian opinion. Official circles, not knowing when the "good-will" envoy was acting officially and when he was not, were considerably saddened by Herr Bogs's exploits.

Russia in World Politics

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE peculiar position of the Soviet Union in world affairs has been accentuated by the recent efforts of the United States and other countries to bring about international agreements in the interests of peace and economic stability. Obviously, the disarmament and economic conferences cannot hope to reach permanent and significant results if a power as great as the Soviet Union is disregarded in the discussion of these problems. America's refusal so far to enter into diplomatic relations with Russia, the hostile attitude of governments which have formally recognized her, and her exclusion from existing international organizations are impediments which the nations have been obliged to ignore when attempting to grapple in a realistic fashion with world problems. Two recent events have shown this to be true. President Roosevelt's dramatic message on May 16 to the peoples of the world was sent directly to the Soviet Government, although its existence is not officially acknowledged by Washington. And the call for the World Economic Conference, in which the United States is the moving spirit, also included an invitation to the Soviet Union.

The sending of President Roosevelt's message to the Soviet Union at once aroused discussion as to whether it did not in fact constitute recognition. That the Soviet authorities so interpreted the message was implicit in the cordial reply, which contained the words: "The Union has concluded non-aggression pacts with most of the countries with which it is in official relations and can, therefore, only welcome your proposal for the conclusion of a pact of non-aggression." The American Government hastened to make clear that Russia had been addressed as a member of the disarmament and economic conferences, and that there had been no thought of according recognition. Subsequently the Kremlin announced that the exchange of notes had not altered the official relations of the two countries. The incident, nevertheless, has strengthened the movement for recognition by emphasizing the awkwardness of the present situation, in which self-interest forces the United States to deal with Russia. The Soviet press seized the opportunity to present anew its arguments for a change in American policy, holding out the inducement of increased trade as well as the promise of Russian support for the American disarmament program. In the United States, also, the friends of Soviet recognition took advantage of the occasion to bring increased pressure upon Congress.

The inclusion of the Soviet Government in the World Economic Conference emphasizes still more strikingly the conflict between theory and fact in Soviet international relations. Great Britain and Russia have become involved in a bitter trade war, the aftermath of the recent Soviet trial of the British engineers. A British embargo on Russian products excludes two-thirds of the Soviet imports, which last year totaled £20,-

000,000. At the moment two of the principal items of the trade, fur and flax, are exempted from the embargo; and the British have not yet decided to admit Russian timber when warm weather permits shipments from the White Sea ports. But the importation of oil and many other Soviet articles of commerce has ceased entirely.

On the other hand, Russia has stopped purchases from the British heavy-metal industries, except to complete orders previously placed. As Russia has been virtually the only foreign buyer of British iron and steel products during the depression, the loss of that market is a serious blow. Diplomatic relations between the two countries, though still maintained, are scarcely more than an empty form, since no effort is being made by either government to negotiate a settlement of the trade war. The two British engineers, Thornton and MacDonald, whose imprisonment precipitated the conflict, are still in jail in Moscow, and Great Britain has made no attempt to obtain their release. The Soviet Union, for its part, seemingly content to leave affairs as they are, proposes to transfer its former trade with Great Britain to the United States in exchange for recognition.

Beneath these specific anomalies in Russia's foreign relations one detects a fundamental antithesis between the Communist theory of internationalism and Soviet Government policy in world affairs. This policy implies that peace can be secured by international agreement, that disarmament programs and non-aggression pacts can prevent warfare despite the most complete incompatibility of the Soviet and other social and political systems. Stalin expressed this point of view when he declared that both the capitalist and the Socialist State could work out their destinies in the modern world without conflicting with each other. Moreover, the Soviet Government has demonstrated its desire to establish official relations with other nations upon this principle. The Soviet Union is a party to the Kellogg peace treaty, and has concluded a network of similar treaties with many individual States that are violently opposed to the theory and practice of communism. The Soviet delegates at the Geneva conferences have stood consistently for complete disarmament, and the Soviet answer to President Roosevelt's message not only voiced cordial approval of the principle of peace by agreement but accepted without reservation the four-point program laid down by the President. On the face of the record it must be admitted that the Soviet Union, of all the nations, has played the leading rôle as an active agent of peace.

Communist doctrine, on the other hand, takes an opposite view of the relationship of States. It holds that warfare is inevitable both among the capitalist States themselves and between the capitalist States as a group and the Soviet Union. While the Russian Government is engaged in concluding permanent peace agreements with other governments, its officials are arousing the nation to the belief that it is under continuous danger of attack and that war is inescapable. The Communist party in both its adult and youth branches trains its membership in this belief; the press carries the same message to the people at large; the great figures of the government keep the war spirit alive by fiery oratory. This year's celebration of May Day illustrated these activities. The ceremonies in Moscow were in charge of the military and consisted of an impressive display of

Soviet war power before a million or more of Russia's workers who joined in the parade and listened to speeches on the inevitability of war.

The Red Army has been mobilized on a war footing for many months. The rôle it plays in shaping the international outlook of the Russian people cannot be understood apart from the personality of Klimenti Voroshilov, its commander-in-chief. During his seven and a half years as War Commissar, he has not only constructed one of the most powerful of modern war machines, completely modernized in technique and dependent for supplies only on the resources of the country, but he has turned this vast organization into a propagandist agency of incalculable influence, indoctrinating the youth of Russia in the political and economic creed of communism. Voroshilov is himself an indefatigable prophet of the inevitability and the imminence of war both in his addresses to the army and in his speeches to the country at large. Under his leadership the Red Army spreads this gospel to all corners of the country.

For the purposes of military preparedness, the Soviet Government has, by a decree of April 29, extended its new restrictive passport system by establishing a sixty-mile strategic area along the entire western border of the Soviet Union and in certain designated regions on the eastern frontier. The populations of these areas, totaling some 20,000,000, are to be subjected to individual examination of their loyalty to the Soviet Government and their acceptance of the Communist creed. The so-called "passport"—in reality a permit of residence—will be issued only to those who are above suspicion. All others must vacate their homes and seek a livelihood and a home elsewhere. The passport system, when announced some months ago, was applied only to the three principal cities—Moscow, Leningrad and Kharkov—and was intended primarily to end the migration of the peasants. In its new form the policy has been given a different significance.

The same decree warned the Communist party that a "purging campaign" was to be launched on June 1 to complete the partial purifying process begun in January. The earlier inquisition was intended to strengthen the agrarian program by expelling criminal and disloyal elements from positions of authority in the collectives. The new *chistka* was planned as a far more comprehensive affair, reaching every individual in the party from the highest official to the most humble member. At present the party contains 2,000,000 members and 1,200,000 candidates. Approximately half of them have been admitted during the last two and a half years. It was now proposed to decrease the party number by nearly 1,000,000, reducing inactive members to the rank of candidate and expelling those whose failure to meet the test implied more serious faults of heresy or factionalism. Thus the program supplements the passport policy by promoting rigidly centralized control within the country and a complete unity of outlook on problems of international relations.

The upset in Europe caused by the Nazi revolution has had the immediate effect of improving Russia's relations with two of her western neighbors. The French Chamber of Deputies on May 18 approved by a large majority the much-delayed non-aggression pact between France and the Soviet Union. On many occasions France has shown her distrust of the Communists. Not only is France the headquarters of the Russian counter-revolutionaries headed by Grand Duke Cyril, self-pro-

claimed "Emperor of All the Russias," but French trade policy is inimical to Soviet interests, and French alliances with Poland and Rumania are definitely intended as barriers to the spread of communism in Europe. The action of the Chamber of Deputies, therefore, must be interpreted as a move against Germany rather than as an evidence of friendship for Russia, and so it has been construed by M. Doriot, leader of the French Communists. Of similar import is the growing cordiality of Poland's attitude toward the Soviet Union as evidenced by the public reception accorded Owsiejenko, the Soviet envoy, by Marshal Pilsudski on May 1, and the participation of a special mission of high Polish officials in Moscow's May Day celebration.

The critical situation on the Soviet Union's Far Eastern frontier has been greatly relieved by Russia's offer to sell her interests in the Chinese Eastern Railway to Japan. (See Professor Dennett's article on pages 508-512.) Russia's willingness to give up the Chinese Eastern has implications more important than the immediate issues involved. It acknowledges the success of Japanese policy on the continent of Asia and is tantamount to a surrender of Vladivostok and the Soviet Maritime Province as points of strategic value. To hold Vladivostok against the Japanese the Soviet Union must maintain control of the Chinese Eastern, as otherwise the roundabout route of the Transsiberian is too vulnerable to be defended. If Russia relinquishes her interests in Manchukuo, she will withdraw her effective eastern frontier to Transbaikalia and thus remove her influence as a factor in Japan's Asiatic policy.

State Planning in Turkey

By ROBERT L. BAKER

SINCE the establishment of the Turkish Republic nearly ten years ago many notable steps have been taken by Mustapha Kemal and the government dominated by him to modernize the economic life of Turkey. Railroads and highways have been built, a strong central banking organization has been established, budgets have been balanced and a perennially unfavorable balance of trade has been corrected by means of a strict quota system. These are only a few of the successful measures that have been adopted. But the Turks are impatient and wish to exploit their resources at a more rapid rate. The great obstacle, however, has been a lack of capital.

Economically backward countries have in the past found capital for internal development abroad. In their formative years, for example, Canada, the United States, Czarist Russia, China, the South American countries, Australia and New Zealand followed this course. But there is in Turkey, and in Persia and Saudi Arabia as well, a deep-rooted fear of foreign economic imperialism, a fear of prejudicing her complete independence. This feeling has prevented Turkey from seeking or accepting large-scale foreign investments. She prefers, as she sees it, to possess her own soul, even though her ambitious plans for economic development must be brought

to fruition at a more leisurely pace.

In the hope of making faster progress by utilizing her own resources the Turkish Government has determined upon a thorough economic reorganization under the supervision of foreign experts. It was a foregone conclusion that they were to be Americans, not only because of their detachment regarding Near Eastern politics but also because the Turks admire American methods. Upon the advice of the American State Department, Walker D. Hines, former Director General of the United States railroads, was chosen to head the group of experts. After the war Mr. Hines acted as arbitrator on questions of river shipping in Europe and investigated the international problems of navigation on the Rhine and Danube for the League of Nations. Several other experts have already been engaged. Charles E. Bell, who was Transportation Director of the United States Food Administration during the war, will serve as railway adviser to the Turkish Government. Matthew Van Sicklen, formerly head of the Division of Mining Research in the Bureau of Mines, is to supervise the exploitation of the gold resources of Turkey, and Sidney Paige, formerly of the United States Geological Survey, will serve as general mining adviser. Robert H. Vorfeld, at one time with the United States Tariff Commission, is already in Turkey reorganizing the customs administration. Wallace Clark, formerly with the Shipping Board and later a member of the Kemmerer Financial Mission to Poland, is likewise at work reorganizing the Turkish State tobacco, alcohol and salt monopolies. Another American, S. P. Clark, has served the Turkish Government for some time as an agricultural expert, especially in the development of cotton growing. Major Brehon B. Somervell of the United States Army Engineers, has been selected as special assistant to Mr. Hines, and several members of the latter's law firm are also to aid him.

With the assistance of his personal staff and the other experts, Mr. Hines is to make a general economic survey of Turkey's resources and to recommend a program for their development. The execution of this program will be supervised by permanent economic, industrial and commercial advisers, who are to be appointed after the Turkish officials have consulted with Mr. Hines. As soon as his survey has been completed the work of all the American technicians will be coordinated under the direction of the permanent economic adviser, who is to hold the post of Under-Secretary in the Department of National Economy.

It is expected that as a result of this far-reaching inventory and analysis many unprofitable enterprises will be discontinued and more promising industries established; that Turkish products will be standardized so that they may be better able to compete in foreign markets; that labor problems will be adjusted, and that all the elements of Turkey's economic life will be modernized and coordinated.

Early in May a group of Turkish Ministers visited Athens to discuss a renewal of the Greco-Turkish commercial treaty of 1930, and on May 9 an agreement was reached between Foreign Minister Maximos and Tewfik Rushdi Bey. The next day an all-party conference approved the pact, which was then formally initialed. It will be signed at Angora in September. The new arrangement is to last for only six months, but is renewable by an exchange of letters. It includes a concession to Greece which will permit a considerable increase in the amount of Greek imports into Turkey. By an-

other provision the application of the recent Turkish law prohibiting certain occupations to foreigners was postponed for one year in the case of Greek nationals. In addition to this commercial pact, the Turkish and Greek Governments have for some time been considering a political and military treaty, but its nature has not been divulged.

The fearlessness of the Angora Government in dealing with religious matters has been often demonstrated. In April a new reform was decided upon in connection with the training of students for the Moslem clergy. This will involve the reorganization of the theological faculty of the University of Istanbul. Hereafter the course of studies will include comparative religion and non-Islamic philosophy. Although many ambitious theological students will continue to go to Al-Azhar in Cairo for the traditional training, the reform should in time have an influence in lessening the dogmatism of the Moslem preachers in Turkey.

The government's vigilance in keeping the clergy from meddling in politics was illustrated during the last fast of Ramadan, when inspectors were present in the mosques to make sure that the preachers did not indulge in digressions on forbidden topics. Though much has been done by law to restrict the clergy and to eliminate Arabic elements and superstitions from Turkish Islam, the government has shown concern lest its reforms be carried too far. It has no intention of making religion the butt of levity and has required the members of the Moslem clergy to wear a severe black costume and to maintain a dignified demeanor on all occasions. They may not, for example, carry sacks, large baskets or gasoline cans (universally used in Turkey for buckets), and they are forbidden to assume undignified postures.

When twenty-three Brusa clergymen and muezzins revolted on Feb. 4 against the use of Turkish instead of Arabic in public prayers, it was expected that they would be sentenced to death, following the precedent of the sentences meted out to the twenty-eight Turks who refused to abandon the fez in 1931. In this case, however, the court was less harsh and merely sentenced nineteen of the culprits to one or two years' imprisonment with hard labor. Four were acquitted. It should not be assumed that the Turkish Government is becoming milder in the execution of its reforms. The Brusa riot occurred before the promulgation of the decree making the use of Turkish in religious services compulsory, and the offense of the rioters was really that of disturbing the peace.

TRANSJORDAN LAND QUESTION

The question of the sale and lease of lands to Jews has for some time been of prime importance to Transjordan politics. On the one hand was the Emir Abdulla and the large landholding sheiks, who desire complete freedom in the disposition of their lands; on the other hand was the Transjordan Government, backed by the influence of the Arab Executive, which has sought to prevent sales and leases to foreigners. The government attempted to force through the Legislative Council a bill prohibiting such sales and leases, but on April 1 the measure was defeated by 13 votes to 3. The Emir Abdulla and the Transjordan sheiks know very well that they can get a good price or rental for land from the Jewish Agency for the establishment of Jewish colonies east of the Jordan, and because of this

they are not greatly impressed by racial and religious arguments.

PERSIAN OIL DETAILS

The new lease agreed upon by the Anglo-Persian Oil Company and the Persian Government on April 30 is to last for sixty years. A special clause permits the company to surrender the lease on giving two years' notice, but this is scarcely a concession in view of the enormous investment already made by the company in Persia. The sole provision of the new lease that can be considered favorable to the Anglo-Persian Oil Company is Section 14, by which Persia undertakes not to cancel the concession but to refer all difficulties to arbitration outside Persia.

EGYPTIAN PREMIER'S ABSENCE

Premier Sidky Pasha's illness has responded so slowly to treatment that he has been obliged to leave for his cure in France without returning even temporarily to his duties. During his absence Shafik Pasha continues to act as Prime Minister. While Sidky is in France he is expected to take some part in the negotiations regarding the Egyptian public debt. Conservative opinion in Egypt is much concerned over the Premier's condition. If his health does not improve he will be unable to return to politics, and in that case King Fuad would have no alternative to appointing a Wafdist government.

The Egyptian Government has devised an effective but humane and somewhat playful method of keeping Opposition leaders from stirring up discontent in the provinces. Late in March Nahas Pasha, the Wafdist leader, made a trip to Upper Egypt—for his health, it was said. But it soon became clear that he had gone there for political purposes. At Aswan, Luxor and Quena he made provocative speeches, and at the last two places the police were stoned by the excited crowds. At Quena, when he boarded his train to proceed to his next speaking engagement, he discovered that he was making a fast non-stop journey back to Cairo. These tactics were first employed during the election campaign two years ago to prevent the Wafdist leaders from promoting their non-cooperation plans.

IRAQ AND GREAT BRITAIN

When the new Iraqi Parliament assembled recently for its first serious session, it at once became apparent that the Opposition not only possessed a voice but would use it. Any suspicion that criticism of Great Britain would not be permitted was soon dispelled by Yasin Pasha's demand that the government amend the Anglo-Iraqi treaty and save the country from a dual administration. He also contended that Iraq's debts to Great Britain, incurred for reconstruction, were in the nature of war debts, and that Britain's liberal attitude toward such obligations should be extended to include them. Rashid Ali Bey el Gailani, the new Prime Minister, to counteract the effects of Yasin's speech, explained in broad terms the desire of the Cabinet to maintain the most cordial relations with Great Britain.

In some quarters the Iraqi Army is suspected of being so inefficient that in case of a serious Kurdish or nomadic rising King Faisal would have to appeal for British assistance. If this is true, energetic efforts are being made to correct it. The Iraqi Army is not a blind imitation of other armies, but has been created under British supervision to meet Iraq's peculiar needs. Mobility has been emphasized, especially by developing armored-car units and a specialized air force. The

latter arm, whose usefulness in nipping revolts in the bud has been amply proved by the Royal Air Force on the Indian northwestern frontier and in Iraq itself, has recently been increased. On May 5 British-trained Iraqi pilots left England with eight new twin-engined planes, specially equipped for desert police duty. The machines carry three machine guns, wireless sets, cameras, emergency rations and water tanks. A Royal Air Force sergeant accompanied the squadron to Iraq as a bombing instructor.

Japan's Far Eastern Supremacy

By Tyler Dennett
Professor of International Relations, Princeton University

Though defeated at Geneva, Japan, in defiance of world opinion as reflected in the Assembly of the League of Nations, has persisted in her campaign against China and at last has won a substantial victory. Not only were the Chinese forced to enter into direct negotiations with the Japanese but they were obliged on May 31 to sign a truce, with the prospect that the truce will be followed by a treaty of peace.

The victory lies not merely in the easy success of the Japanese military campaign south of the Great Wall, but much more in the fact that the negotiations were direct and unsupervised by the League. Thus Japan has maintained the theory for which she has contended from the outset—that the Manchurian incident is not a proper matter of international concern. The cardinal principle of the League of Nations has been successfully repudiated. China has learned that she must rely solely upon her own resources in any resistance she may make to Japan. Furthermore, the non-recognition doctrine, of which so much was expected, becomes immediately more difficult than ever. There is even some reason to believe, as will be indicated below, that President Roosevelt has already quietly revised the Far Eastern policy of the last administration and returned to the Wilson-Lansing policy which frankly recognized Japan's "special interests" in China.

Resuming their advance south of the Great Wall on April 30, the Japanese moved rapidly toward Tientsin and Peiping. Twenty-two days later General Ho Ying-ching, Nanking War Minister, issued a formal order for the evacuation by Nanking troops of Peiping. At the same time the Japanese War Office intimated that the Japanese Army would not occupy the city "unless some entirely unforeseen event forced the hand of the commander on the spot." Only twice before in nearly three centuries, in 1860 and in 1900, have alien armies been where they could enter as conquerors the capital of the Middle Kingdom. The Chinese losses in four weeks were estimated at from 15,000 to 30,000 men killed and "uncounted wounded."

The ostensible reason for the last Japanese advance, as given by Lieut. Gen. Kotaro Nakamura, was Chinese perfidy. It appears that there had been many truces with individual Chinese Generals, none of which

were kept. The Chinese War Minister issued orders to reorganize the Chinese troops and to attempt to recapture Chengteh, the Jehol capital. There were intimations from Chinese sources that Japan would press on to drive the Chinese troops south of the Yellow River if the present measures do not prove adequate. The pattern of this most recent Japanese operation is similar to the others since September, 1931; in Tokyo the official spokesmen gave out statements to allay the fears of foreign interests in China, while the army in the field proved to be "out of control." Yet it is of some significance that the Japanese troops avoided Tientsin, the northern centre of foreign interests in China.

For many weeks North China has been in political chaos. The Nanking Government had about 50,000 troops there; while the restless, disgusted Northern armies, unpaid and rebellious in their attitude toward Nanking, numbered at least 200,000. An American correspondent reported that in all North China the Nanking Government did not have a single potent representative. It is notable that, whereas the initial advances into Manchuria eighteen months ago elicited many protests and warnings from Geneva, Washington and other capitals, the recent military movements of the Japanese have met with no similar expressions of foreign displeasure. Either Western public opinion has now become dulled to Japanese imperialism or it has become so discouraged about China as to feel that nothing can be done. Even more significant was the fact that the Japanese advance coincided, in time, with the journey of Viscount Ishii to Washington to confer with President Roosevelt. Obviously the Japanese Government does not stand in very great fear of American official displeasure.

Dr. T. V. Soong, fresh from conversations in Washington, vigorously denied before the China Society in New York on May 22 that China is in chaos. But no one has more cogently stated the cause of the Chinese military collapse than did Dr. Soong before he left China. He was reported in the London *Times* to have said:

"On the one hand, there was the highly mechanized Japanese Army with a railway system at its back and plentifully supplied with ammunition and foodstuffs, with a transport system worked out to the last detail, for months preparing for the thrust that employed squadrons of airplanes, tanks, armored cars, mountain guns and highly mobile cavalry. On the other hand, I saw an army [the Chinese] with no staff work, with the Generals staying hundreds of miles behind, with no transport, except of the most primitive sort which took several weeks to supply the front, no liaison between the different commands, no anti-aircraft guns and trenching materials or artillery, and soldiers trained only in drill-ground rudiments."

As a forecast of the approaching peace negotiations, it was reported from Tientsin on May 27 that there was about to be organized a Peiping Political Council with administrative authority over an undefined area in North China and selected for its moderate or pro-Japanese views. The Japanese at once ceased fighting. Formal negotiations between the Chinese and Japanese at Tangku, below Tientsin, opened on May 30, and the next day the terms of the truce were announced. They were more moderate than the Chinese had been led to expect. The Chinese were to withdraw their troops south and west of a line

drawn through the towns of Yenchieng, Changping, Kaoling, Shunyi, Fungchow, Sanho, Paoti, Lintingchen, Ningho and Lutai, and the Japanese were to go back to the Great Wall. The resulting demilitarized zone from the Wall to a line roughly from Tientsin to Peiping, would be administered by Chinese friendly to Japan, and if the plan succeeded there would be the splitting off of a new Chinese State with pro-Japanese sympathies.

Will the more patriotic and belligerent Cantonese, as well as certain other rival political groups in Central and West China, accept the situation? It is difficult to imagine what they can do, nor is it clear what the effect will be upon the Nanking Government, which has thus, through its feebleness, let slip from the republic not only Manchuria but also Jehol, and now a slice of territory south of the Great Wall.

Two brigades of the famous Nineteenth Route Army and several divisions were sent by Canton on May 18 into North China, where they were regarded by Nanking not so much as a help as an embarrassment. Ten days later Feng Yu-hsiang, the so-called Christian General, from his retirement at Kalgan, north of Peiping, issued a manifesto that he would lead an army to the defense of the province of Chahar, to regain the lost territory. Chahar lies directly west of Jehol. Russian support was suspected. Feng, an accomplished conspirator, was believed to be seeking the support of various Generals and chieftains, to set up an independent government in North China. His chances of success are obviously poor, but he can easily make trouble for Chiang Kai-shek. Canton is not likely to acquiesce in the recognition of Manchukuo or the relinquishment of Jehol. Meanwhile, the Chinese leaders are reported to be making earnest efforts to bring about a reconciliation of the more militant Generals with the terms of the truce. The National Congress of the Kuomingtang is scheduled to open on July 1, but Canton has already announced a "national party congress" to meet concurrently. The "break-up" of China, prematurely announced by Lord Beresford thirty-five years ago, may be now not far off.

The moderation of the Japanese terms thus far announced may be not unrelated to the Roosevelt-Ishii conversation in Washington on May 25. Viscount Ishii came ostensibly to discuss the program for the approaching World Economic Conference; apparently political matters also were frankly faced. The official reports of the conversations in Washington revealed little, but Tokyo press comment indicates that President Roosevelt played no sour notes in the duet. Indeed, the *Nichi-Nichi* quoted the President as having said: "Although I recognize Japan's special position in Manchuria, Japan's action is generally considered a violation of treaties, or unreasonable. Japan must certainly have had proper reasons for acting as she did, but is it not a weakness on her part to allow her action to be regarded as violating treaties?" In the absence of any specific denial from Washington, and because of the similarity to the language used in the Lansing-Ishii agreement of 1917, which was abrogated when the Washington treaties were ratified in 1923, one is disposed to credit the *Nichi-Nichi* report. If it is correct, President Roosevelt has apparently set a new course for American policy in the Far East. "Special position" for Japan in the Far East has always meant in the Japanese language what the presence of the Japanese armies

in North China now means. Upon his departure for London Viscount Ishii, over the radio, declared that President Roosevelt had evinced "deep sympathy and genuine friendliness" toward Japan.

If one may judge from the Japanese intimations at the Disarmament Conference at Geneva on May 25 that she will demand a 10-10-10 naval ratio in 1935, in place of the 10-10-7 ratio agreed to at the London conference in 1930, Japan must now be feeling confident of her international position. Naotake Sato, for the Japanese delegation, threatened that Japan would not sign the disarmament treaty if it contained, as the draft now does, any reference to the 5-5-3 ratio agreed upon at Washington or to the 10-10-7 ratio of the London conference. Both expire in 1935. The Foreign Office in Tokyo confirmed Mr. Sato's stand and declared that in 1935 Japan would demand equal ratios with Great Britain and the United States, but would be willing, once "racial equality" is conceded, to reduce her fleet by agreement. Perhaps Japan hopes to accomplish parity not by building up her own fleet but by securing a pledge from the other powers to reduce theirs. Actually, Japan now has approximate parity with the United States because of the failure of the American Government to build up to the ratios already assigned. The "racial equality" issue, thus again brought forward, is a still further indication that Japan now feels that she has won her right with the Western Powers to a parity which goes far beyond naval ratios. There is more prospect now than there has been at any time in the past that the world will in the not distant future acquiesce in the "Monroe Doctrine for Asia," for which Japan has been preparing so industriously in the last twenty months.

THE OPEN DOOR IN MANCHUKUO

Before sailing from San Francisco Yosuke Matsuoka on April 12 broadcast a farewell to the American people. He listed three important signs that the American people are not concerned about the Far East: (1) The United States is planning to withdraw from the Philippines; (2) the American Navy is suffered to remain far below the treaty ratio, and (3) no one in the United States seems greatly excited about the new Japanese drive south of the Great Wall. Two weeks later, on April 25, the London *Times* printed a Tokyo dispatch saying that Tetsuzo Komai, the Japanese member of the Manchukuo Privy Council, had declared that Manchukuo, not being a party to the Nine-power treaty, could not be expected to maintain the "open door" for those States which do not extend recognition. "Manchukuo's trade door," he was reported to have said, "would not remain open to States which withheld recognition of her status." In answer to a question in the House of Commons on May 1, Stanley Baldwin, acting Prime Minister, stated that he did not credit Japan with such an intention but gave assurances that, if such a policy were adopted, Great Britain "would take any steps open" to her to defend the principle of the open door. Chuichi Ohashi, chief adviser to the Manchukuo Foreign Office, denied on May 3 that the new State would depart from the old principle. At the same time the Japanese Foreign Office, which had left Komai's statement uncontradicted for eight days, assured Ambassador Grew that the open door would be strictly maintained.

But the matter is not disposed of by the official denials. On May 1 London confirmed the report issued from Peiping that the Hongkong and Shanghai Banking Corporation and

the Jardine-Matheson Company—two of the oldest British establishments on the China coast—were closing some of their offices in Manchuria. The Peiping report alleged as a reason that Manchuria was rapidly being closed to foreign trade.

On May 7 the report came from Harbin that the Sungari Flour Mills, an American concern, had stopped selling flour because a Japanese tax inspector had been installed to check the output and collect the new Manchukuo tax. The American Consulate was also investigating a complaint that Japanese bean buyers were receiving a preferred rate on the South Manchurian Railway. Mr. Matsuoka may have estimated the American situation correctly but one must wait, before wishing to confirm his judgment, to know how America will view a closed door in Manchuria.

The Manchukuo Commissioner of Foreign Affairs visited the British Consul General at Harbin on May 11 to warn him that Lennox Simpson, the British publisher of the Harbin *Herald*, a bi-lingual Anglo-Russian daily, must leave in six days or suffer deportation. Mr. Simpson had been publishing matter favorable to Russia and unfavorable to Manchukuo. This threat, if it had been carried out, would have raised the question of extraterritoriality. Under the British treaties with China a British subject in Manchuria could be deported only upon order of the British Supreme Court in Shanghai.

CHINESE EASTERN RAILWAY

The Russo-Japanese railway dispute had reached no conclusion by the middle of May. Japan has proposed a tripartite commission of Japan, Manchukuo and the Soviet Union, to investigate and dispose of all disputes between Changchun and Moscow. It is alleged that the Russians are willing to sell the railway for $154,500,000 gold, but the Japanese offer only $19,320,000. The French Ambassador in Tokyo reminded the Foreign Office that French interests subscribed 80 per cent of the original capital of the Russo-Asiatic Bank which acted as agent for the construction of the railway. On May 11 Maxim Litvinov, Soviet Commissar for Foreign Affairs, definitely confirmed the statement that Russia had offered to sell, and at the same time denied that China had any financial claim in the railway. Litvinov declared that Russia had repeatedly offered to sell the road to China, but that the latter could not afford to buy. Meanwhile, he stated, China had had nothing whatever to do with the line for eighteen months. In the last year the manager of the eastern section of the railway reports that fifty-six employes were killed, 825 wounded, 593 captured by bandits and more than 1,000 robbed, that fifty locomotives, 958 passenger cars and 835 freight cars were damaged, that the track was destroyed in fifty-two places and the telegraph line broken 775 times.

The Japanese Cabinet on May 23 approved the following procedure for the proposed purchase of the Chinese Eastern: "(1) The State of Manchukuo is to negotiate the purchase under Japan's guidance, fixing the amount and the terms of payment; (2) because of doubts concerning Russia's clear title to ownership, Manchukuo is to buy merely a transfer of the undoubted control of the railway by the Soviet; (3) Manchukuo is to purchase various mining and timber concessions held by Russia in connection with the Chinese Eastern, thus eliminating Soviet influence in North Manchuria."

// CURRENT HISTORY

AUGUST 1933

Farewell to Laissez-Faire

By HENRY STEELE COMMAGER

[In an article entitled "The American Road to Fascism," published in this magazine last month, Dr. E. Francis Brown essayed an interpretation of the social and economic trends that have led to the legislative enactments of the first three months of the Roosevelt administration. Another view is now presented by a writer who is Professor of History in New York University and co-author with Professor Samuel E. Morison of Harvard of *The Growth of the American Republic.*]

IN the light of America's past, few phases of the Roosevelt administration are more arresting than the deliberate, determined and cheerful abandonment of *laissez-faire.* That abandonment is written into the imposing series of measures that have emerged from the Congressional welter of the last three months—the Industrial Recovery Act, the Farm Relief measures, the Federal Securities Act, the Muscle Shoals Development Act, the Home Owners Refinancing Act, the Railroad Reorganization Act and half a dozen other statutes of a similar character.

Though the formulation of these measures was the peculiar achievement of the new administration, it is primarily significant that they were embodied into law not at the irresistible dictate of a Mussolini but at the demand of and with the overwhelming approval of the American people. The many-sided program of recovery has been variously called fascism by Socialists and socialism by those who would be Fascists, but it is both unnecessary and misleading to affix foreign nomenclature to what is after all a natural and spontaneous expression of American democracy. What has happened in the last three months, with seeming dramatic suddenness, is neither the scuttling of democracy nor the surrender to socialism nor the application of fascism, but merely the repudiation of obsolete shibboleths of individualism and *laissez-faire* and a full-throated assertion of the right and purpose of democratic society to readjust its legal machinery to the demands of a new order.

It is, however, not wonderful that the expression of that purpose in a manner so imperative and so sweep-

ing should be accompanied by misgivings and doubts. From the beginnings of the Republic, indeed from the time when Americans became politically conscious, men here have thought in terms of individualism, have feared government, have celebrated the virtues of an unregulated and uncontrolled exploitative system. Nature and history combined in America to give a character almost sacrosanct to what Mr. Hoover called rugged individualism, to make of this country the greatest experimental laboratory for individual enterprise that has existed in the modern world, and to create a state of mind profoundly antipathetic to governmental interference in or regulation of private pursuits. *Laissez-faire*, despite its foreign accent, was no importation. It was born of the American wilderness and of the boundless resources of the American Continent and nurtured on American political theory and practice.

From the beginning of English settlement on this continent Americans gave themselves to the task of exploiting the infinite resources that were vouchsafed them by a beneficent Providence, and from the beginning they learned that governmental interference in the way of navigation acts, land acts, timber acts and similar regulatory legislation was detrimental to their interests. The contrast between the development of Canada under a paternalistic French administration and their own progress under the blessings of salutary neglect was not lost upon Americans. The reassertion of imperial control in the 1760s meant just so much trouble to the Colonists, and as relations with the mother country became more strained, Americans turned inevitably to a philosophy which would justify opposition to parliamentary interference in their affairs. This they found in the theory of the Puritan Revolution, the doctrine that there were certain great natural rights and laws with which no government could interfere—rights of life and liberty and property—and the further doctrine that no government was absolute but that all government was limited.

There came then that happy marriage of economic realities with political philosophy, celebrated in the Declaration of Independence and the State and Federal Constitutions of the Revolutionary Era. The moral of history as Americans read it in the light of the recent past, as Jefferson recorded it in the Declaration and as the Fathers crystallized it in the Constitutions, was that government was something to be feared, to be limited, to be hedged about with checks and balances. And governments were to be feared not only because they might tax without consent or take property without due process or infringe liberties or usurp powers, but because their interference with the processes of exploitation and aggrandizement might have a paralyzing effect upon the economic development of the country.

With the triumph of Jefferson *laissez-faire* received quasi-formal sanction as the philosophy of agrarian democracy. As he presented it, the task of government was essentially a negative one. People left to their own devices would build better than government could build for them, and people might well be trusted to take care of their own best interests and the interests of society. The soundness of this philosophy for America of the late eighteenth and early nineteenth centuries is obvious. There was in the boundless reaches of the West land enough for all; there was wealth enough in the soil and the waters, the mines and the forests, to make all men independent; there was the ability and the strength

and the intelligence of the people to achieve not only wealth but happiness. All that was necesary was for a benign government to provide for justice and for protection against foreign invasion, and to keep its hands out of the pockets and away from the throats of the people.

The principle of non-interference thus firmly established, men set themselves boisterously to the task of multiplying and subduing the earth. They flung themselves on the stored-up wealth of the country with a voraciousness that knew no bounds. The forests were destroyed, the soil gutted, the hoarded wealth of mine and quarry seized and wasted. Like an invading horde Americans surged across the continent, reaping where they had not sowed, destroying where they had not created, dissipating the resources of nature that were meant for future generations. Within a century after Jefferson had buoyantly celebrated "land enough for our descendants to the thousandth and thousandth generation," the best land was gone, and in a few short years scientists were gravely considering the imminent exhaustion of coal and forest, oil and gas. In the name of individualism and enterprise Americans had used up those fabulous stores of wealth that were to be the foundation for a new society.

While all this was going on, and before exhaustion was even anticipated, men were discovering new ways of making money through business enterprise and the exploitation of labor as well as of resources. With the coming of the industrial revolution and the application of science and invention to the processes of industry, small groups of men achieved strategic positions from which to control the manufacture and distribution of basic commodities. Great combinations of capital and industry arose—the trusts and monopolies that so terrified an earlier generation—and became so powerful that individual laborers were unable to deal with them and governments from which they had secured their charters and often their very material foundations were unable to control them. A new type of exploitation was substituted for the old and simpler one. Partly through accident, partly through influence, partly through skill, powerful railroad, oil, iron, coal and packing corporations wrested privileges from State governments and defied regulation either by law or by public opinion. Such corporations were persons in the eyes of the law, and no State could deprive them of their property without due process of law.

Obviously in the face of this situation old theories of individualism and *laissez-faire* were no longer applicable, but because they played into the hands of privileged groups these groups adopted them as their philosophy. Academic support to rugged individualism as the American way of life was found in the imported doctrines of Herbert Spencer and was elaborated in this country by William Graham Sumner. A philosophy which had in the past spelled liberty and an opportunity for equality to millions of men, which had justified the American Revolution and was basic to Jeffersonian democracy, was greedily seized upon by corporate interests to protect their own selfish exploitation of resources and labor at the expense of society. It would be difficult to imagine a grosser perversion of a liberal philosophy than this.

What is important to remember is that the progress of corporate exploitation as recorded in the buccaneering practices of a Standard Oil or a Carnegie Steel Company, was not

achieved in the dark by a few villainous men fearful of discovery and of public wrath, but was achieved rather with the hearty approval and encouragement of the vast majority of Americans. The accomplishments of the swashbuckling captains of industry of an earlier day commanded the admiration of contemporaries—that admiration which finds expression in social approval and in emulation. There was, all in all, a good deal of regulation written into the statute books, but most of it was analogous to Sunday morality; it was not intended to be taken too seriously or applied too rigorously. No regulation of business or finance could be successful until it commanded the sincere approval and represented the sincere purpose of the people, and it must be obvious that Americans have not in the past desired a drastic enforcement of anti-trust laws or banking laws or inspection laws.

The theory of individualism still held sway. No idea was more deeply ingrained in the psychology of the people than the idea that the greatness of the nation, its wealth and power and glory, was inextricably bound up with the enterprise of those captains of industry and titans of finance who had been resourceful enough to seize power and strong enough to hold it, and no axiom was more firmly established than that any interference with the processes by which the nation had been developed or with the men who had developed it, was inimical to the American system. And so proposals for the regulation of charges or of hours and conditions of labor were defeated, or where enacted into law were ignored or emasculated by judicial decision. Yet nothing is more bootless than to discover in the chicanery of lobbyists or the wickedness of capitalists or the conservatism of judges the explanation for the continued triumph of *laissez-faire*. That predatory individualism was rendered bolder and more immune by these influences cannot be denied, but it must be equally apparent that the majority of the people preferred, after all, to put their faith in individualism rather than in governmental control.

But with the turn of the century the temper of the people shifted. There came a philosophical revolution of far more importance than laws or judicial decisions, a revolution that challenged the ultimate righteousness of unregulated individualism, looked askance at the results of a century of exploitation, and substituted doctrines of social welfare for those of selfish aggrandizement. Foreshadowed in the Eighties and agitated for in the Nineties, the revolution did not find political expression until the administration of Theodore Roosevelt. But the attack on *laissez-faire* is not to be read in the records of that administration, though much of the inspiration was there, but rather in the statute books of the States. After all, most matters of social concern are properly under the jurisdiction of the State governments, and it was in such progressive States as Massachusetts, New York, Illinois, Wisconsin and Oregon that the attack on *laissez-faire* was launched. Here we find the first attempts to prohibit child labor, to provide for minimum wages, to regulate hours, to protect labor unions, to secure workmen's compensation and old age pensions. Here the outlines of a new system of social regulation were drawn and some of the possibilities explored.

Nowhere, however, was a planned society projected. It was indeed extraordinarily difficult for the States to achieve even a piecemeal regula-

tion of industry and of labor, and this for two reasons. In the first place these problems were inevitably of a section-wide or nation-wide character, and the Federal system permitted corporations to find refuge in States with more lenient laws. In the second place the Fourteenth Amendment prohibited States from depriving persons of life, liberty or property without due process of law, and the courts applied this provision to corporations when the question of the regulation of profits arose, and to labor when the question of liberty of contract was concerned.

The first three decades of the twentieth century revealed the sterility of *laissez-faire* and the imperative necessity of regulation by the Federal Government. From Roosevelt to Taft, from Wilson to Harding and Coolidge, the pendulum swung back and forth, but more important than Federal or State legislation was the indubitable change in the temper of the people. The tremendous popularity of Theodore Roosevelt was founded largely on the reputation he secured for himself as a "trust-buster," an enemy of "predatory wealth," a protagonist of the "square deal" and a conserver of the natural resources of the nation. Whether he actually justified this faith or not is of less significance than the fact that the people rallied to him with unprecedented enthusiasm because they thought that he did; and it is not without point to recall that Theodore Roosevelt was the first American President whose popularity was based on his advocacy of social reform. Woodrow Wilson, too, presented himself as the champion of regulation and control, and the "new freedom" faintly foreshadowed the "new deal." His matchlessly eloquent first inaugural presented a terrible indictment of those who were "very heedless and in a hurry to be great," and it has, both in its criticism and its positive program, a curiously contemporary ring.

Under the compelling pressure of the World War the Wilson administration presented to the nation, for the first time in its history, the spectacle of a regulated and regimented industrial order. Such regulation was brought about not in response to the demand for a new social order; it was brought about in response to the more imperative emergency of war. But whatever its genesis, the significant fact is that there was revealed, for the first time, the far-reaching powers of the Federal Government over every process of our industrial life and the astonishing flexibility of our constitutional system. It is not without significance that many of the measures of the present administration are modeled upon those of the second Wilson administration, that the personnel of this administration is recruited to a striking extent from those who learned the ropes during the war, and that President Roosevelt, in his inaugural address, invoked the precedent of the war for those semi-dictatorial powers which he would, if necessary, demand.

The twelve years of Republican rule from 1921 to 1933 witnessed a revision of traditional practices of *laissez-faire*. President Harding and President Coolidge acted, one might say, upon instinct, but the more thoughtful President Hoover expounded a rationalized philosophy of rugged individualism. It was part of the conservative reaction that men should distrust panaceas for an improved social order, part of Republican doctrine that men should reject governmental interference in business, part of the creed of prosperity that men should refrain from tampering with

the economic set-up or from questioning its ultimate rightness. What Mr. Hoover celebrated—and correctly in the light of history—as the American system, reached its climax during his administration. The crash that followed was all the greater because it was from so lofty an eminence, but what was shattered on the rocks below was not only the temple of prosperity but the religion of individualism which it symbolized.

The first three months of the present administration marks the legislative repudiation of *laissez-faire* and the advent of a new ideology. How permanent is the change of heart and of mind we cannot know. It was not, however, a sudden conversion, though it was a dramatic one. It had been foreshadowed in Granger laws and Populist laws, in interstate commerce acts and anti-trust acts, conservation bills and farm relief bills, and even in some of the measures of the Hoover administration such as the Reconstruction Finance Corporation Act, which belied and confounded the individualism they were presumed to maintain. The courts, too, ever since the notable Munn vs. Illinois case of 1876 and down to the Adamson Act decision of 1917 and the Florida chain store decision of this year have with increasing emphasis asserted the principle that the police power of the State could be extended to matters in which the public had an interest.

But whatever the antecedents of the New Deal, never before in our history has the government undertaken to create and supervise an ordered economic scheme. Never before has our government asserted its authority over production, prices, wages and standards of living, or itself gone into business on a large scale. In his statement explaining the Industrial Recovery Act, President Roosevelt put the matter plainly: "In my inaugural," he said, "I laid down the simple proposition that nobody is going to starve in this country. It seems to me to be equally plain that no business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By 'business' I mean the whole of commerce as well as the whole of industry; by workers I mean all workers—the white-collar class as well as the man in overalls; and by living wages I mean more than a bare subsistence level—I mean the wages of decent living." It is obvious that if the administration is going to maintain these "simple propositions" there is no longer room for the buccaneering individualism of an earlier day.

The measures which have catapulted from Congress in such bewildering succession certainly provide a framework for the building of a new order, whether they can actually support such an order or not, for they embrace the majority of our economic activities and affect individual men and women in countless and unprecedented ways.

The Industrial Recovery Act—not only the most important but the only thing of its kind ever attempted in this country—proposes, through cooperation of industry with government, to secure widespread re-employment, shorten the working week, guarantee a decent living wage, prevent unfair competition and eliminate overproduction, and these ends are not to be reached at the expense of either labor or the consumer.

The Agricultural Adjustment Act proposes an artificial increase in the price of agricultural commodities and the limitation of acreage through governmental regulation. The Secretary of Agriculture is given broad, almost dictatorial, powers over agriculture

and agricultural products, and the cost of the program is to be levied against the processors. There is some point in Norman Thomas's complaint that with millions of people on the verge of starvation the only thing the government can think of doing with the surplus farm products is to eliminate them. But whatever the immediate inadequacies of the act, the purpose is clear—to bring agriculture, ever the most individualistic of all industries, under planned control.

The Railroad Relief Act gives to a Federal coordinator of railroads extensive powers to eliminate wasteful competition, merge transportation facilities and reduce top-heavy capitalization.

The Tennessee Valley Development Act, the most far-reaching attempt at conservation and rehabilitation ever undertaken, places the government squarely in the power, explosives and fertilizer businesses and makes it directly responsible for the economic and social life of an immense region and a large population.

The provisions of the Home Owners Refinancing Act and of the Farm Relief Bill place the government, indirectly, in the position of mortgagee, and give it extensive powers over the entire mortgage business of the country.

The Securities Act grants to the Federal Government prohibitive powers over traffic in securities in interstate commerce and, in effect, involves governmental supervision of the entire security business of the nation, as the Glass-Steagall bill does of the loans and investments of banks.

The extent to which these measures jettison *laissez-faire* is apparent. The entire field of hours and wages of labor is brought under direct supervision of the government. Industry is not permitted to discriminate against organized labor nor labor to interfere wantonly with the rehabilitation of industry. Trade agreements —not monopolies—are to be substituted for competition, and the doctrine of *caveat emptor* (let the buyer beware) gives way, in the field of security buying, to that of *caveat venditor* (let the seller beware). In the field of manufacture, of transportation and sale, of agricultural production and consumption, of banking and finance, of business contracts, and of all kinds and conditions of labor, the government is to exert a decisive influence. There remains, to be sure, wide elbow room for individual initiative and enterprise. The Roosevelt program represents regulation rather than control, the agreements of industry and labor are to be voluntary ones, and the President looks to "a partnership in planning and a partnership to see that plans are carried out." The purpose of the partnership is the restoration of a wholesome capitalist economy, not the substitution of State socialism or State fascism. But whatever the outcome, the terms of the partnership are to be laid down by the government, as the objectives are declared by the government.

There remains for adjudication the question of the constitutionality of the measures enacted. To what extent may we anticipate judicial sanction for the new program? Will the Constitution prove itself a flexible instrument, as it did during the World War, and as it has frequently in the past, or will the barricade of the Fifth Amendment prove insuperable? The auspices are not entirely favorable. The new laws, to be sure, are dexterously drawn to avoid constitutional complications. The provisions of the Industrial Recovery Act, for example, secure reforms in the wages and hours of labor not by direct governmental

mandate but by voluntary agreement on the part of industry. It is further to be noted that the preamble to the Recovery Act formally states that "a national emergency is hereby declared to exist"—an assertion which may conceivably influence the attitude of the courts but which is certainly not binding upon them.

Earlier attempts by States to achieve some of the objectives of the new program have been defeated by a strict judicial interpretation of the Fourteenth Amendment, and the Federal Government has experienced similar difficulties with respect to the Fifth Amendment. The effort of Kansas to provide for adequate wages and conditions of labor through the rulings of the Kansas Court of Industrial Relations was defeated in the Wolff Packing Company case. The attempt of New York State to limit profits on theatre-ticket scalping was negatived in the recent Tyson vs. Banting case. The attempt on the part of Oklahoma to regulate the ice industry through a licensing act was defeated in the Oklahoma Ice case of last year.

Nor are the precedents in the adjudication of Congressional laws encouraging. The Supreme Court, to be sure, upheld, in a notable decision, the wage provisions of the Adamson Act, but efforts on the part of Congress to establish minimum wages for women and children in the District of Columbia and to legislate child labor out of existence have been defeated. The present Recovery Act places the burden of establishing decent wages for labor upon industry itself, but it is difficult to discover a legal distinction between the use of the licensing power as a coercive weapon and the use of the power of taxation and of interstate commerce as a coercive weapon to attain the desired ends. As for protection to unionized labor, a statute forbidding interstate carriers from discharging employes on account of their membership in labor organizations was declared unconstitutional in Adair vs. United States as far back as 1908. It is entirely probable that the provisions of the Railroad Reorganization Act will be upheld, as such regulation has been consistently upheld in the past, but it is almost equally certain that some of the provisions of the Gold Repeal resolution, the Farm Relief Law, the Securities Act, and possibly the Tennessee Valley Development Act, will be challenged in the courts. *Laissez-faire* repudiated in legislatures and at the polls, has before now taken refuge in the judiciary.

It is encouraging to remember, however, that in the last generation the courts have continuously extended the domain of the police power of the State, have broadened the entire field of business in which the public may be said to have a controlling interest, and have increasingly upheld the validity of legislation strengthening the hands of the Federal Government. Though Mr. Justice Holmes was speaking only for the minority when he said, in a famous opinion, that "the Fourteenth Amendment does not enact Mr. Herbert Spencer's *Social Statistics*," it is entirely probable that the majority of the court may subscribe to that dictum now. It is not too much to expect that *laissez-faire* will be repudiated by the judiciary as it has now been repudiated by the legislative and executive branches of our government.

The Rise of Economic Nationalism

By RICHARD LEWINSOHN

[Originally a physician interested in social hygiene, the writer of this article turned to the study of economics and received his doctorate in political science at the University of Berlin. For five years he was chief financial editor of the *Vossische Zeitung* and other newspapers published by the Ullstein Verlag, Germany's leading publishing house. Since then he has been the chief Paris correspondent of the Ullstein newspapers. His books on monetary and economic questions have been translated into many languages.]

IN the Spring of 1927 the first World Economic Conference, which had been convened by the League of Nations, met in Geneva. In addition to the members of the League, the United States and Soviet Russia were represented by outstanding figures. The world had never before witnessed such a meeting. Industrialists, bankers and merchants as well as government economic experts from over fifty countries discussed the possibilities of stemming the tide of economic nationalism. The majority of the speakers painted the business situation in the gloomiest of colors. It is surprising today to read in the records of that conference how often even then the word "crisis" was mentioned and how, at least, the European delegates were convinced that the world was already in the midst of an economic depression.

As we know today, 1927 was not only a golden year of business prosperity for the United States but also for most European countries. Production and consumption were increasing and unemployment was at a low point. Nevertheless, the members of the conference and large groups in all European nations were certain that the world economy had since the war gone in the wrong direction. They were convinced that Europe especially could return to true peace and prosperity only if nationalistic tendencies in the business field were checked and sufficient room were left for the international exchange of goods.

In this spirit, a few clear and unequivocal resolutions were adopted, and the governments of the world, which at this conference were not represented by their responsible statesmen, were urged to eliminate the barriers to world trade by establishing more liberal tariffs and by concluding broader commercial treaties. These resolutions remained pious wishes. As a result of these exhortations to the governments there was only a sporadic alleviation of the difficulties in commercial intercourse. There was no change in the fundamental tendency of economic policy, and in practically every country economic nationalism continued on its course.

The second World Economic Conference, which was opened in London on June 12 of this year, differs even externally in a characteristic manner from its predecessor in Geneva. At the first conference independent business leaders, captains of industry, financiers, ship owners and labor leaders dominated, while this time the representatives of the States, the Ministers themselves, are the chief delegates. In 1927 the belief still prevailed that business itself would find a way out of the post-war difficulties and

that the State could limit itself to the rôle of an assistant. Today the State stands forth boldly as the supreme authority in the economic field. The representatives of business function only as expert advisers to the statesmen.

This change in the distribution of rôles discloses a radical change of attitude. In spite of all the nationalistic trends in the sphere of trade, the first decade after the war was also permeated with the idea that the State should not venture too far in that field. Not infrequently the State appealed to the authority of industry and bowed to its decisions, even in cases where the immediate obligations of the State were concerned. This was true of the Dawes Conference (1924) and also of the Young Conference (1929) for the settlement of the reparations problem. The State clung to the judgment of a few outstanding and competent men and contented itself with the execution of their decisions. The negative outcome of the World Economic Conference of 1927 showed, however, that even then the opinions of business men did not always prevail in complex questions and in the clash of conflicting interests. But, in general, there was an endeavor during the deliberations of the conference to give experienced business men a decisive voice in commercial matters. It was believed that those who best understood these problems would be able to solve them in practice. In other words, faith existed in the inherent objectivity of the economic process.

The misery of the years of the depression has almost completely shattered this belief. The inability of industry itself to overcome the crisis has necessarily secured for the State progressively increasing rights and sovereignty in the sphere of commerce. The State as the organization of the entire people continued, even in periods of depression, to have command of weapons which the individual business man or business groups lacked. Under the pressure of the crisis industry has had continuously to reduce prices and wages. On the other hand, the State, because of its sovereignty in taxation, was able to increase its income; and even if revenues have not come up to expectations, it was nevertheless possible for the State to levy new taxes and thereby obtain additional receipts. Apart from this fact, the State was in a far more advantageous position than private business to make use of public credit. Owing to the adverse economic situation, individual enterprises in most European countries were no longer able to receive short or even long term loans on favorable conditions. Since the State was sovereign in matters of taxation its credit was sound. Budget deficits, if necessary, could be repeatedly balanced by the flotation of loans.

Concomitantly with this, the economic authority of the State grew as a result of the manner in which it distributed its income. In practically all European countries during the depression the State has, to a large extent, subventioned and supported private enterprises. In Germany, in the process of rehabilitation, the State has taken over practically the entire banking system. Through the reorganization of the Banca Commerciale Italiana, the Italian Government has assumed authority over the nation's largest financial institution. In France, which has been least affected by the world crisis, the State played a decisive rôle in the reconstruction of the Banque Nationale de Crédit. In all these countries the State has refi-

nanced the shipping companies and extended its influence over them. As financier and creditor the State has entered precisely upon those economic activities which basically have world-wide commercial ramifications and do not want the scope of their business contracted by narrow nationalism.

Until about 1930 there were still in many European countries powerful tendencies opposed to the further intrusion of the State into the domain of trade. In the last few years this opposition has dwindled away. Industry needs the State more than ever before, and when it is incapable of financing itself looks upon the State as a life-saving instrument. The logical result of this direct and indirect dependence of business on the State is that outwardly the State appears as the spokesman of industry. Before the world depression it is likely that storms of protest would have arisen if the State had attempted to appear at an international economic conference as the decisive factor. Today industry accepts the leading position of the State as a matter of course. The State passes judgment and business contents itself with the execution of the decisions made by the governments.

Now, it is a characteristic of the State that it always views economic as well as other questions from the national standpoint. The nation's boundaries are the natural boundaries of the State's sphere of interest. Everything across the borders is foreign. Even if in the most thoroughgoing fashion the State promotes economic cooperation with foreign countries, in its deliberations its own frontiers have a far greater importance than they have in the calculations of the most nationalistic private entrepreneur. When the State actively enters the commercial field, there is everywhere an accompanying increase of economic nationalism, no matter whether it is on the basis of socialism as in Soviet Russia or on the basis of capitalism as in Western and Central Europe.

That is the road that the business of the world has actually taken in the post-war period, and to an increasing degree since the advent of the economic crisis. The European system of small States with their 16,000 miles of customs frontiers deprives the most thickly populated section of the world of the fruits of its labors and the benefits of technical progress. Through the conclusion of commercial agreements governments attempt to lower the tariff walls which they themselves have erected. But a considerable proportion of the "bargaining tariffs" which were supposedly forged as weapons for commercial negotiations remain in force even after the conclusion of these treaties. A certain stability, nevertheless, emerges from this system of commercial agreements. It provides a basis upon which industry may plan and it also permits some freedom of movement in the international exchange of goods. The State limits itself to specific supervisory functions. Capital has the possibility of flowing into those countries which pay the highest rates of interest and offer the most promising prospects for the future.

This period, which lasted from about 1927 to 1929, was suddenly ended by the change in business conditions. Only a small number of the commercial agreements were abrogated; for the most part they were either circumvented or violated. The most-favored-nation clause, which until the economic crisis had constituted the foundation of the commercial

treaty system, became merely an ornament. Now States issue import prohibitions at will and establish quotas which remain in force for a year, although many have been changed at more frequent intervals. No manufacturer of goods for export is in a position to know if he will be able to market his products in a country which has previously been open to him.

In the general confusion one field remained free from economic nationalism, namely, currency. The establishment of the Bank for International Settlements at Basle in 1929 and the regular meetings of central bank presidents awakened the hope that from this direction the economic nationalism of individual countries would be energetically combated. But even this last fortress of world economy fell in September, 1931, when Great Britain abandoned the gold standard. The British and two dozen other currencies now go their own way. Monetary policy is manipulated in an unprecedented manner in the service of nationalistic economic tendencies. The State utilizes this weapon as a method of fighting competing nations. Even in countries where the currency standard has not been changed the State uses its monetary policy in the economic struggle with its neighbors.

As a new instrument of economic nationalism, currency restrictions are added to tariffs, import prohibitions and quota arrangements. Only a few European countries continue to permit the free circulation of money over their frontiers. In Central and Eastern Europe, Poland and Lithuania are alone in permitting the exportation of bills of exchange. Without especial permission, citizens of a country are allowed to carry only a minimum sum of their own nation's currency across the frontiers. Although this has led to many annoyances in the international tourist trade, it has put a more serious restraint on the international exchange of goods than have all tariff obstacles. The regulation of bills of exchange and currency means in practice State control of the entire foreign trade of the nation. The State decides for what purposes bills of exchange may or may not be used. It divides goods into necessities of life and luxuries. Its setting up of different categories of value foreshadows the end of all economic freedom. Outwardly the State creates a planned economy without really having any economic plan.

Economic nationalism is reflected statistically most clearly in the contraction of world trade. Between 1911 and 1913 the yearly average of world foreign commerce—that is, the exports of 102 countries—amounted to $19,-156,000,000. (As a result of statistical errors the imports are always from $1,000,000,000 to $2,000,000,000 higher; actually they must of course agree with the total exports.) The scarcity of goods in the European countries which had starved during the war, the creation of new States, the general trend toward industrialization and, finally, the great difference in price levels in the European inflation countries favored international trade in the first years after the war. But this movement had by 1925 approximately reached its high point with world exports amounting to $31,673,000,000. During the following years, the most flourishing period of post-war economy, foreign commerce participated only in a limited measure in the general trade rise. World exports rose to $33,165,000,000 in 1929. But they fell all the more rapidly with the advent of the depression as a result of the growth of artifical barriers. By 1931

world exports had fallen to $18,674,000,000. They had declined, therefore, to a figure lower than the pre-war level and were 43.6 per cent lower than in the peak year of 1929. The final statistics for 1932, which have not yet been published, will unquestionably reflect a considerable further decline. Such is the picture of world economy at the opening of the London Economic Conference.

It can scarcely be denied today that this contraction in international trade has also worked greatly to the detriment of the individual nations themselves. Even in those countries which have armed themselves with the strongest defensive weapons against foreign nations, protectionism has not been gladly resorted to; rather the attempt has been made to apologize for it as an unavoidable evil. Only during the last few years has there developed in a few countries a kind of economic philosophy which proclaims the State as the economic unit and which more or less looks upon the exchange of goods with foreign nations as treason against one's own country. These ideas are most widespread in Germany. Using the catchword "autarchy," nationalistic circles in that country have attempted under present-day economic conditions to realize the old utopian theory of Fichte (1762-1814) of the "closed commercial State."

For example, Werner Daitz, head of the foreign affairs bureau of the National Socialist party, has demanded, in an article expounding Germany's new foreign commercial policy, "that pre-eminence must once again be granted to the national economic units as the eternal producers of all goods and their ethical meaning as against the ethics of international trade and commerce." (*Berliner Tageblatt,* June 4, 1933.) This is elaborated upon in another part of Daitz's exposition: "So-called world economy is nothing uniform; it is no organism, but rather a mechanism, a mechanical pell-mell, a mere idea of relations." In the practical application of these principles, however, even the National Socialists do not wish to close the frontiers altogether. Such a policy for an industrial economy such as Germany's, which is dependent upon the importation of raw materials, would rapidly bring trade to a complete standstill. The National Socialists have declared, on the contrary, in their latest economic program: "Autarchy does not mean closing the frontiers in an economic sense, but rather the organization of necessary imports in accordance with the standpoint of military needs. That means that only those goods should be purchased in foreign countries which can be dispensed with in case of necessity, and that adequate stores of goods should be accumulated which belong in the inventory of a national economy and which can be obtained only beyond our own frontiers."

Although military motives have not been expressed so outspokenly as the basis of the economic policy of the State, "the standpoint of military needs" is effective in various ways in the other European countries as a factor of nationalistic economic policy. At the Disarmament Conference in Geneva the economic disadvantages of armament policies have been almost exclusively considered from the budgetary viewpoint. In reality the ramifications of armament policies are far broader. The cultivation of grain on marginal lands, the establishment of steel industries despite, as in Italy, an unfavorable position in regard to the necessary raw materials,

the gold-hoarding of the Bank of France, all are measures of defensive politics which have in part dictated these developments. Everywhere fear of a new war impels States to pursue a policy of economic nationalism; and it is a strange paradox that the most international part of armament economy is the arms industry itself, which supplies foreign countries with cannon, armor plate and warships.

Is it possible for Europe, a continent inwardly and outwardly dismembered and filled with distrust, to bring economic nationalism to a halt, and once again pave the way for the international exchange of goods? There has been no lack of effort in this direction. Until the beginning of the economic crisis attempts were made along two lines. One school believed that it would be possible to effect a return to the old system of free trade by means of propaganda and friendly exhortation. It saw the main obstacles to foreign commerce in the artificial price-fixing policies of cartels, in the all-powerful trusts, in wage agreements and, above all, in tariff barriers. By eliminating these impediments this school would have established a purely liberal economic system, such as existed in Europe between 1870 and 1880.

The second school, which considered a return to economic liberalism an utter impossibility, wanted to start from existing economic realities, from the cartels, tariffs and "organized economy" as they exist in Europe today. But this school wanted a planned organization of the entire national economy to take the place of accidental combinations intent upon their own interests. In its opinion, independent branches in each country should join together in syndicates, which would then stabilize prices, limit production, divide markets and come to an agreement with labor representatives on the question of wages. The national syndicates of individual industries should then form international syndicates, which in turn would conclude agreements on prices, production and markets. As a result of these international cartel agreements, tariffs and other trade hindrances would become superfluous. The chief exponents of this kind of internationally planned economy were two electrical magnates, who have since died—Louis Loucheur, the well-known French politician, and Felix Deutsch, head of the Allgemeine Elektrizitäts-Gesellschaft in Berlin.

At the first World Economic Conference, in 1927, the two views, the liberal and anti-liberal, came into collision. There was agreement on only one point—the desire to eliminate, as far as possible, the assistance of the State. Business alone should decide what was right and practicable for itself whether through a renascence of the old theory of *laissez-faire*, or through the complete reorganization of the economic structure. In the course of the discussion the liberal viewpoint, supported by the British, retained the ascendency. But, as has been previously mentioned, the discussions were fruitless. It was impossible to restore liberalism. The years of the depression have also impeded efforts toward an internationally planned economy. Many cartels have disintegrated, and those which have survived the crisis have lost their economic importance and especially their prestige. Public opinion in Europe, faced with the spectacle of innumerable break-downs and failures of famous business men, refused to accept control by cartels of the international economy.

The tendencies toward a stronger internationalization of economic life

are now moving along a different road. They proceed from the assumption that the State possesses the means of alleviating the present economic misery. Politics should lead industry out of the blind alley into which it has run. Governments should unite for the purpose of practical cooperation. Through international action governments must put an end to economic nationalism and reopen the frontiers which they themselves have closed. The first and greatest plan of this kind was Briand's project in May, 1930, for the creation of a European union. The final goal that inspired the wise old man was the unification of the European Continent after the example of the United States. The "United States of Europe" would continue, to be sure, to respect the sovereignty of the existing continental States, but it would soon mold Europe into a unified economic area in which there would no longer be any tariff wars and currency struggles. Through the elimination of economic conflicts Briand hoped to exclude political struggles and to insure world peace. His extraordinary prestige secured the immediate discussion of the plan by the League of Nations. The League appointed a committee of investigation, which met several times, but as a result of Briand's death and the aggravated European political situation the project came to nothing.

There were better prospects of actual success in the attempts to unite definite regions of Europe into economic entities. Belgium, Holland and Luxemburg signed a tariff convention to which the Scandinavian countries were anxious to adhere. The plans to unite Germany and France in a customs union, and if possible in a currency union, never advanced beyond the theoretical stage. There was just as little success in establishing large unified economic regions in central Europe. French and Italian resistance, based upon political motives, defeated the German-Austrian atttempt to establish a customs union in the Spring of 1931. Similarly, nothing came of Tardieu's project in the Spring of 1932 to form the territories of the old Austro-Hungarian dual monarchy into an economic unit. On this occasion Germany and Italy opposed the idea of unification. In Eastern Europe the Baltic States made repeated attempts to establish a Baltic union which, until now, have been unsuccessful.

In addition, the major European powers have attempted during the last few years to pave the way for international economic cooperation upon a broad basis. The reparations conference at Lausanne in June and July, 1932, appointed a committee of inquiry for the Central and Eastern European agricultural countries with the aim of organizing improved commercial exchange between the agricultural and industrial countries. Mussolini's Four-Power pact also vigorously supports economic cooperation among the States. And, finally, all these endeavors have received a concrete basis for negotiations at the World Economic Conference in London.

The whole world looks upon that conference as a decisive event in the commercial life of each country, whatever the results of its deliberations will be. It is not possible simply to erase from the pages of history the failure of such a great undertaking. If the conference does not lead to positive results, it will lead to negative results. In other words, if it does not promote the internationalization of trade, it will, indirectly, strengthen powerfully the nationalistic trends of present-day commerce.

The Nationalist Craze in Culture

By ROBERT BRIFFAULT

[Author of several important works on social evolution, Dr. Briffault is now studying the crisis in European civilization, with Paris as his headquarters.]

IN a situation which is by many accounted desperate, the nations of Europe are, one and all, seeking their salvation in intensified nationalism. Politically, the inevitable outcome is the imminent danger of war; economically, the strangling of trade and the consequent depreciation of capital values. The cultural consequences of nationalism are perhaps less concrete; they are no less real and no less fatal.

Germany is providing a fearful example of those cultural effects on a fantastic and incredible scale. Early medieval history has to be searched for parallels to the edifying performances inspired by the desire of twentieth-century Germany to preserve the purity of its national culture.

Fascist Italy, having had its literary bonfires shortly after the March on Rome, is now promoting cultural nationalism in a more delectable form by issuing sumptuously printed editions of approved Italian writers. As a monument to Fascist culture, the publication of an ambitious and carefully censored encyclopedia is now being undertaken, some volumes of which have lately had to be destroyed owing to the discovery by the Fascist National Council of philosophical tendencies in some of the articles which did not sufficiently harmonize with the principles of dictatorial despotism. Despite those activities, all foreign critics have commented on the phenomenal artistic and literary sterility of Fascist Italy.

Other European countries are throwing up their hands in horror at the manifestations of cultural nationalism in Nazi Germany and Fascist Italy. But they are themselves indulging in cultural nationalism. The difference is one of degree, not of kind. I heard a French writer being praised the other day on the ground that he "resolutely kept himself French"—on the same principle presumably on which the Nazi worthies are purging the culture of their unhappy country from "un-German" thought. The intensification of that nationalistic sentiment, which has always been fervent in France, is having very much the same effect there as if it were forcibly imposed by licensers of thought.

This is strikingly illustrated in regard to translations. When the enormous number of books published in France is considered, the relative scarcity of translations from contemporary foreign literature is remarkable, and such translations are, as a rule, astonishingly belated. Novelties in the way of French translations are, with a few exceptions, twenty, ten, or at least five years old.

The anxiety to be nationalistic inevitably throws back any literature and culture inspired by that ideal upon its owns traditions, that is to say, upon the past. The richer those traditions are, the stronger is their stranglehold on the mind, and the more potent the retrograde influence on a people that deliberately withdraws into the shell of its ancient culture. The phenomenon is familiar to all students of cultural

history as one of the most uniform symptoms of decadence. Every decadent literature has draped itself in the glories of its past.

In matters of literary judgment the nationalistic standard produces fantastic distortions. Educated Portuguese will gravely maintain and do verily believe that Camoens is the greatest poet the world has known. To Spaniards the glory of Cervantes outshines in the same manner all other literary glories. Those judgments depend obviously upon national perspective. Had Camoens been an Italian he would rank as a minor poet of whom no one need have heard. The delightful Cervantes may suggest a comparison with Swift or Sterne, the question of precedence remaining open. The cult of Goethe in Germany is due to the same perspective. It has given rise to the expression of grave doubts. In many people's judgment on Goethe, the foolish old gentleman with old-fashioned ideas is as apparent as the genius.

The French are somewhat perplexed as to who is their great poet. For a time that position was held by Victor Hugo—on sufferance. But unfortunately Victor Hugo had questionable internationalist, pacifist and even radical ideas. The intensified nationalism of France since the Russian revolution prefers, accordingly, not to pronounce his name, and has dropped Victor Hugo as it has dropped Anatole France and is dropping André Gide. They are, in a Nazi sense, "un-French." One prefers to fall back on the classical age and to set the tiresome Racine on the Olympian plane beside Sophocles and Shakespeare.

If such be the nationalistic distortion in cultures which are rich and old, one may gauge the effect of that irrelevant factor in the throng of puppet nations with which the Treaty of Versailles has strewn Balkanized Europe. For obvious purposes of political propaganda super-nationalistic France encourages the like spirit among the vassal nationalities which it has helped to create. International culture, if poorly represented by French translations, is much in evidence in Paris in the form of bookshops devoted to Estonian, Latvian, Finnish, Polish, Czechoslovakian, Hungarian, Serbian, Rumanian, Lithuanian national literatures. Each of those Versailles-treaty nationalities is feverishly promoting the sentiment of cultural nationalism by numerous periodical publications, by the printing of literature in idioms that scarcely a million people can read, of which the oldest dictionaries are not a century old.

There are two quite distinct aspects to the question of the languages of small ethnic groups. The death and oblivion of any idiom is, in a cultural point of view, regrettable. European scholarship, which has laboriously reconstructed the languages of ancient Egypt and Babylon, would deplore as a cultural loss the passing of Gaelic, Norse, Wend, Slovene, Serbian and Kashube philological studies.

But efforts to keep alive Gael, Estonian, Czech idioms as modern literary languages and media of contemporary culture are an entirely different matter. There is not the slightest cultural profit to any one, inside or outside Czechoslovakia, from the publication of a new book in Czech. There is not the slightest advantage in compelling children to devote to perfecting their knowledge of Welsh or Lithuanian the time which they might employ in learning German, English or French. Any Hungarian who is desirous of cultivating his mind will not fail to acquire some other language besides Magyar. If he writes a masterpiece in Magyar, it will have to be translated into some more widely

current language before it can be known to the world as a masterpiece. There is not a scrap of Hungarian-written literature older than the time of Maria Theresa, when for political purposes the language was revived.

The Czech idiom, the language of the Czechoslovak nation begotten at Versailles, was artificially dug out and revived by a few enthusiastic patriots in the course of the last century. So decayed and moribund was it that when Joséf Dobrówsky, the learned Czech philologist, first undertook to reconstruct its grammar and prosody he got the accents all wrong. The revived language had to be gradually molded into literary shape in order to be intelligibly and grammatically used. The artificially resurrected language is now added as a political, journalistic, literary and scientific medium to the Babel of European tongues. What has been the advantage of that linguistic resurrection? From a cultural point of view, absolutely none. The sole purpose served has been to foment a separatist nationalistic sentiment, which was justifiable as a revolt and protest against Habsburg misrule, but which is now merely an added danger to peace and an added obstacle to culture.

The preservation of literary languages and of surviving dialects is a matter of scholarship and philology. The artificial preservation and galvanization into literary life of moribund local idioms is not a matter of culture; it as a matter of nationalistic propaganda and a senseless stupidity. The languages of the new small nations of Balkanized Europe have for the most part been thus galvanized for purposes that have nothing to do with any cultural interests.

It is to be observed that the thin pretense that Versailles nationalities correspond to ethnic entities is, as is the case with all nationalities, a fiction. The Versailles mapmakers, spuriously professing to be guided by ethnological considerations, placed or left nearly 30,000,000 Europeans under the dominion of majorities foreign to them in race, tradition and language. The inclusion of small ethnic and linguistic groups within larger political and cultural units is not in itself an evil. The Basques, Bretons and Provençals in France and the 182 nationalities speaking 149 languages incorporated in the Soviet Union are not acutely conscious of a grievance.

Such inclusion is an evil only when the ruling political powers are themselves evil and perpetuate through nationalistic antagonism the relation of conqueror and conquered. The evil arises from nationalism, not from the obliteration of nationalism. The true grievance of the Irish under British rule, of the Poles under Russian or German rule, of the Czechs under Habsburg rule was not that they were under foreign rule, but that they were under oppressive rule.

Apart from the evil of barbaric government founded upon the relation of conqueror to conquered, incorporation into larger political, economic and cultural units is to the advantage of any group of people, and nationalistic separatism to its detriment. So much is this the case that none of the puppet nationalities created by Versailles is capable of *de facto* national independence. None stands on its own feet. They are politically, financially, economically dependent for their mere existence upon the powers which, for their own purposes, maintain them, pay the piper and call the tune.

The fiction that any nation, however venerable its cultural achievements, can in the present age be culturally independent is even bolder and more grotesque than the fatal fictions

of political and economic self-sufficiency. Culture has, since the most primitive phases, been commensurate in its value and development with the outer contacts it has enjoyed, with the internationalism of its intercourse. Those races which we call savage, and which have remained primitive in their culture till modern times, have done so from no other cause than their cultural segregation. China owed its cultural growth to extensive importations and contacts, and that growth was instantly arrested when those contacts were artificially excluded.

Every one of the European cultures which pretend today to preserve themselves pure and undefiled from alien contamination owes its own growth and development to international contacts. Germany remained backward and barbaric until the penetration of French influence in the eighteenth century, and it would have had no Goethe, as Goethe himself would have been the first to acknowledge, without that influence. France would have known no classical renaissance and no *grand siècle* but for the influence of Italian humanism and culture. The rationalism of the French age of enlightenment was largely inspired by English thinkers; the spirit of the French liberal eighteenth century at its best was even indebted to America. England would have had no Shakespeare, as we know him, but for the Italianate influence which pervaded her culture in the Elizabethan age.

What has been true since the Stone Age is true in an even more vital sense today when European civilization is called upon to adapt itself to new conditions, new values and new relations, or perish utterly. Formerly it was a question of cultural progress; today it is a question of life and death. For a nation, for a people, to withdraw at such a time within the sclerosed shell of its old-time cultural traditions and to close its doors to the striving thought of the outer world is to commit cultural suicide. It is as suicidal an attitude as the short-sighted policies of nationalistic militarism and economic egoism, and is fraught with no less danger.

The vociferous gospels of cultural nationalism are indeed nothing but the vulgar publicity and propaganda of blind nationalistic policies inspired by panic and short-sighted egoism. To preserve English, French, German or Ruritanian culture unspotted and uncontaminated, to ban and outlaw what is "un-English," "un-French," "un-German," are phrases destitute of meaning except as slogans of chauvinism intended to fan blind nationalistic passions. Nationalism has been beneficent and promoted culture in the past when it supplanted tribalism and unified scattered populations. Today, when instead of seeking to unite, it aims at fragmenting, it is an incendiary brand that menaces the very existence of European civilization.

Much is heard in these days of the art and literature which openly avows itself a propaganda for the thought that would break away from a past of blood, oppression, fallacy and hypocrisy. Propaganda, it is ambiguously urged, is not art or literature. Yet those same people who questionably appeal to esthetic values are as a rule the strongest advocates of cultural nationalism. They condemn the propaganda by scornfully attaching to it the opprobrious charge that it is "foreign." Yet what else is the outbreak of savage zeal for "national culture" which is at the present moment plunging Germany back into the dark ages, Fascist Italy into the age of bombast and fustian, France into the mustiness of its pre-revolutionary past but the most blatant propaganda?

A more vital question than whether literary culture is or is not propaganda is, "What cultural aims shall European civilization propagate?" Shall the culture which it encourages and propagates be inspired by a fearful shrinking from "dangerous" thought, or shall it be inspired by the desire to face honestly and courageously the facts to which it must adapt itself or perish?

All nationalism in culture, in literature, in art, in the selective operation of thought and taste, is a superadded propagandist value which serves no other purpose than to impart a semblance of reality to what is a myth and a fiction. As is well known, nationality has never been defined. It corresponds neither to race, nor to language, nor to creed. A nation consists of the people subject to the rule of a government or State, however that ruling power may have been established, whatever interests it may represent and serve. That is true even when the distinction between people and rulers is slurred or stressed according to the requirements of political dialectics.

To suggest that the nation is something else, that it is an ethnic entity, that it is founded upon some intangible and undefinable quality of the blood, or of the mind, over and above the fact of political power wielded by a ruling government—to suggest that fiction has been the constant concern of cultural nationalism. One factor only lends to that fiction an artificial reality—the propagated and inculcated national culture. Hence the anxiety of all ruling powers to inject the intemperance of nationalism into that culture. If Germans, Poles, Hungarians, attach so much importance to keeping undefiled the pure well of German, Polish, Magyar culture, it is not from any linguistic, literary, esthetic zeal, but in order to rivet more firmly upon the people the fiction that the powers which rule them are the expression and not the source of national existence.

There is nothing in that propaganda of cultural nationalism that can serve even remotely the interests of culture. That the artist or the writer should deal with what he knows is common prudence in the interest of his art; that he should feel under the obligation of conforming to a nationalistic prescription on the ground that it is national, that he should on that ground confine himself to "the American scene," or any other scene, or be enslaved by a tradition because it is national, is not to the interest of what he shall produce.

Art, literature, science and thought have, on the contrary, no more dangerous foe than nationalism. Their interests are international. The far-flung freedom of cultural contacts is the very breath of their vitality, the condition of their growth and sanity. That has ever been so; it is more momentously true today than at any time in the past. The propaganda, be it Nazi or other, which would set up Chinese walls around any culture does an ill service to all those nations for whose benefit it professes to seek salvation.

German Capitalism and the Nazis

By CALVIN B. HOOVER

[The writer of this article has been Professor of Economics at Duke University since 1927. As a Social Science Research Fellow he was in Soviet Russia in 1929 and 1930, the results of his investigations being embodied in his work, *The Economic Life of Soviet Russia.* More recently he has been making an intensive, first-hand study of German conditions and writing a book which will be published in September under the title, *Germany Enters the Third Reich.* A previous article by Professor Hoover on "The Strength of German Capitalism" appeared in the February, 1933, issue of this magazine.]

THE circumstances which brought about the fall of von Schleicher and the elevation of Hitler to the Chancellorship of the Reich were unfortunately such as to obscure the fundamental forces which were really responsible for the triumph of National Socialism. These circumstances also had the effect of perpetuating the common misunderstanding of the true nature of the National Socialist movement. The instrument which brought about the triumph of Hitler, *at the particular moment at which it occurred,* was indeed the intrigue which von Papen and certain of his associates carried on against von Schleicher. Perhaps the complete details of these manoeuvres will never be known, but such facts as are known present a picture of conflicting personal, political and economic interests struggling for the ear of the old Field Marshal, President von Hindenburg—a picture that explains little of the basic character of the forces that had brought about a desperate crisis in Germany.

It is well known that von Papen succeeded in winning Hugenberg and the reactionary agrarians to the support of a National Socialist-German National coalition cabinet. It is generally but erroneously believed that von Papen also had obtained the united support of German capitalism for this coalition government. The facts are that he had, indeed, obtained the support of an important part of Rhenish-Westphalian heavy industry, but the majority of German industrialists and capitalists stood aloof and viewed the course of events with an alarm that was later to be proved only too well founded. Von Papen, through his personal connection with Colonel Oscar von Hindenburg, the President's son, and with Meissner, the President's secretary, succeeded in winning the support of President von Hindenburg for the destruction of the von Schleicher government and for the formation of the coalition cabinet under Hitler.

Von Schleicher had been primarily the man of the industrialists, although he had tried to conciliate the Junkers, the labor unions, and in fact all interests and all parties. It was natural, therefore, that the industrialists' People's party should have supported von Schleicher after all others had abandoned him. The industrialists had placed their hopes in von Schleicher as the "strong man" who could be counted upon to hold the fort until the turn of the economic tide. The understanding between von Schleicher and the industrialists had provided that no radical or fundamental changes in

the economic or political status quo were to be inaugurated during the period of his Chancellorship. The industrialists had hoped that von Schleicher could make some sort of deal with the Nazi leaders whereby in return for some inconsequential cabinet posts a large mass of popular votes would be furnished for a conservative economic policy. At best it was hoped that the support of the entire party could be purchased in this way, and it was thought that at worst some leaders and a large fragment of the party membership could be detached for this purpose. The idea was never entertained, however, that any agreement would be made that would give the National Socialists effective power. The function of the von Schleicher cabinet, as the industrialists understood it, was to hold on, with or without agreement with the National Socialists, until economic revival should have reduced the strength of the National Socialist party below the danger point.

The industrialists always expressed the hope that they could manage the Nazis in case they came to power, just as they had managed the Social Democrats after the "revolution" of 1918. They wished to be absolutely certain, however, that the Nazis should not come to power without having given sufficient hostages to fortune to insure that they could be controlled. These hopes of the industrialists were rendered abortive by the conspiracy of von Papen and his associates. It is extremely doubtful, however, whether these hopes could, in any event, have ever been realized.

Behind the cloud of intrigue, the fundamental force which gave strength to National Socialism was the bitter discontent of the German people with the existing economic system. It was possible to delay the explosion by careful balancing of the hostile elements in the German economic and political situation against each other, as was done during the governments of von Papen and von Schleicher. It is possible that if a pronounced economic upturn had occurred, this balancing and juggling would have served to prevent the explosion and the National Socialist party might then have disintegrated. So long, however, as the economic misery of the people continued unabated, the fundamental factors in the situation were opposed to a temporary and superficial solution of the difficulties which faced Germany.

The National Socialist party in Germany came to power as the result of a mass movement and not simply as the result of a scheme engineered by industrialists who hated trade unions, or who feared communism. At the moment of Hitler's accession to the Chancellorship there was no immediate danger of communism, and the German industrialists vastly preferred dealing with the "old line" trade unions to accepting completely the Nazi government which the so-called "coalition" government turned out in fact to be. If in some way the disintegration of the National Socialist party could have been brought about and if the economic crisis had continued, then indeed there would have been a probability of serious trouble from the Communists. But this danger was only a potential and not an effective one at the moment when National Socialism gained power.

Von Papen, Hugenberg and their conservative and Nationalist associates in the intrigue against von Schleicher undoubtedly believed that they had been very clever in inducing Hitler to enter a cabinet in which there were only two National Socialist members besides himself. Events were to prove that it was Hitler who had been clever

and von Papen *et al.* who had been tricked.

The commercial and banking leaders in Germany and most of the industrialists had disapproved of the plot to bring Hitler to the head of the government, since they did not believe that so heavy a bribe was at all necessary and they feared it might be difficult to manage the Nazis if Hitler were actually the head of the government. Although the capitalists of Germany felt that the price had been too high, they soon plucked up heart and began once more to consider ways and means of "managing" the Nazis. Perhaps von Papen had driven a clever bargain after all, they told themselves.

On the face of things the National Socialists were the prisoners of the cabinet majority, but Hitler quickly demonstrated that this appearance was deceptive by a series of manoeuvres that gave him complete control of the government. He was able to carry out these manoeuvres, however, because the terms upon which he had insisted as the price of National Socialist participation in the government were all that was necessary to give him command of the situation. If Hitler had agreed to enter any previous cabinet, he would have had to accept von Schleicher as Reichswehr Minister and von Schleicher held the Reichswehr in the hollow of his hand. Now he had been able to get rid of von Schleicher and to secure as his successor von Blomberg, who was bound to the party by close personal ties. Hitler had secured for Goering the post of Minister of the Interior for Prussia, which carried with it control of the Prussian police, and for Frick he had secured the post of Minister of the Interior of the Reich. The Nazis now had a monopoly of the State power of violence. With the addition of the National Socialist storm troops the power of the party was so great that no other force in Germany could resist its will with the slightest hope of success. It consequently made little difference that all the other Ministries, including those which dealt with economic affairs, were in the hands of non-party members. Henceforth these Ministers must obey Hitler's orders or face arrest.

Hitler consolidated his position by the election on March 5, which he had insisted upon against the heated protests of Hugenberg and the other conservative Nationalists in the cabinet. The burning of the Reichstag building gave the opportunity for excluding the Communists from their seats in the Reichstag and insured an absolute majority for the National Socialists. Hitler then browbeat the parties of the Centre into joining with the parties represented in the cabinet in passing the enabling act which secured him dictatorial powers for four years. In the meantime he had spared no pains to stimulate popular enthusiasm for the régime by means of colorful ceremonies and mass celebrations. Now he was ready to proceed with the measures which the party had always advocated, but which its opponents had claimed were only a part of National Socialist demagogy.

The measures taken by Hitler and by the National Socialist party from now on were to demonstrate clearly enough that the party had some justification for including the term "Socialist" in the party name. It must have been a rude awakening for both the Junkers and the small group of industrialists who thought they had accomplished the task of taming Hitler and his party. Yet it seems puzzling that the Nazis were able to carry out their radical program while Hugen-

berg, the most reactionary of men, remained at the head of the Ministry of Economics and the Ministry of Agriculture of the Reich and of the corresponding Ministries in the Prussian government. The Nazis carried out their program for the exclusion of the agricultural products of foreign countries from the German market, their program for a moratorium on agricultural indebtedness and a lowering of the interest rate charged to agriculturalists, with the support of Hugenberg, for in this one direction the programs of Hitler and Hugenberg nearly coincided. For the rest, the Nazis simply ignored Hugenberg, except when some absolutely essential and comprehensive decree required cabinet sanction. Then it was made plain to him what he must do, and he did it.

The great reorganization of industry which the National Socialists now undertook was carried on almost entirely without legislative enactments, or even cabinet decrees. They simply appointed an Economic Commissar for the Reich, who supervised this fundamental reorganization without consulting Hugenberg. What the Nazis considered necessary or desirable they did and wasted no time in worrying about the legality of their acts. Hugenberg indeed issued a timid warning that such acts might change the situation *de facto,* but they could not change the situation *de jure*. But no one paid any attention to him.

It has always been a cardinal point of National Socialist doctrine that all power in the State must be under one control so that the clash of personal and class interests could be prevented. Consequently, in addition to the reorganization of all economic associations, all social, political and even religious bodies were also taken in hand. As a part of the process of reorganization sweeping changes in personnel were made. By this process of "cleaning" thousands of officials and employes of these associations were replaced by National Socialists or National Socialist sympathizers. This process is still going on, and will probably continue indefinitely.

This reorganization and "cleaning," which the National Socialists called *Gleichschaltung*, and which is perhaps best translated by the word "coordination," was extended throughout the political structure of the Reich by means of the appointment of a Governor (*Statthalter*) for each of the different German States, except in the case of the smaller States, when several were grouped together under one Governor. Care was taken to see that the Governors selected were National Socialists. They were appointed by the President of the Reich upon nomination by the Chancellor, except in the case of Prussia, where the Reich's Chancellor was himself the Governor for Prussia. The Governor was given the power of appointing his own cabinet, which was thus no longer responsible to the *Landtag*. In this way the National Socialists carried out one of the most important steps in *Gleichschaltung* and insured their economic program against opposition by any of the German States.

"Coordination" was quickly extended to all commercial banking and industrial organizations. The directors of the *Reichsverband der deutschen Industrie* (Federation of German Industries), the leading industrial association, were compelled to dismiss its secretary. A commissar was installed by the Nazis, who thoroughly "cleaned" and reorganized the association. This act was a crushing blow to the industrialists. It now dawned on them that their hopes of "managing" the National Socialist revolution,

as they had "managed" the Social Democratic revolution in 1918, were gone. The Nazis had not waited for the industrialists to begin the process of conciliation, persuasion and obstruction that had proved so effective with the Social Democrats. From now on the spokesmen for industry were to be Nazis. The same process was carried out in all other associations, so that in like manner agriculture, commerce, shipping, banking and mining could in the future speak only through the mouths of the National Socialist commissars who had been set over them. The Nazis had taken a leaf out of Lenin's *State and Revolution,* but their technique was superior to that of the Bolsheviks, for the Nazis were able to accomplish their task of securing complete control of the political and economic apparatus without a civil war.

It no doubt appears strange that this process of "coordination" could be carried out without the enactment of fundamental legislation and without encountering the most determined opposition from the capitalists of Germany. Why did not the directors of these associations at least appeal to the courts for redress? The technique of the National Socialists rendered such action useless, and even impossible. They simply notified the board of directors of an association that they wished a new head of the association to be elected and named the man. At the same time all Jewish and other directors considered unfavorable to National Socialism were ordered to resign. If these orders were not immediately obeyed, the recalcitrant directors were arrested and they were fortunate if they escaped only with arrest. The widespread terror, which is one of the outstanding characteristics of the new régime, was very effective in producing a complacent frame of mind in directors who had received their instructions from the competent party authorities. It would have required a bold man to have instituted court proceedings against "coordination," when he knew that such action would inevitably have resulted in a call from a Nazi storm troop. Appeal to the courts would have had no result, anyhow, since the courts were also submitted to the same process of "coordination."

The practice which had begun with the general associations was soon extended to the various individual and corporate business enterprises. This movement had begun with the Jewish boycott. Jewish owners and managers of businesses were often ordered to resign and Nazi commissars were installed in their stead. It was customary to order the Jewish managers of business enterprises to discharge all Jewish employes, and if the manager showed reluctance he himself was at once dismissed. However, there were other reasons for which Jewish owners and managers were deprived of their positions, and the movement quickly spread to other than Jewish enterprises. The installation of Nazi commissars to take over businesses became the regular order of the day. These commissars were appointed both from above and from below, some being installed by order of the higher party officials and some by the Nazi labor union "cells" in the various factories, shops and offices. In many cases the leaders of the Nazi trade union "cells" simply installed themselves as commissars without asking authority from the party officials.

While the dismissal of the management by the Nazi labor organizations was sometimes approved by the higher party officers, the movement spread so rapidly and caused so much confusion and interruption of business

and production that Nazi headquarters finally issued a series of orders against the installation of commissars by the workers without permission from the competent party bureau. The practice nevertheless continued, and the orders against the practice became constantly sharper in tone. Goebbels, the Minister of Propaganda, in a public speech in May threatened with prison sentences of six months those who installed commissars without permission. Finally, Dr. Wagener, the Economic Commissar for the Reich, issued an order against the practice and at the same time ordered the dissolution of the numerous "battle unions" that had sprung up all over Germany for the purpose of engaging in direct action on the economic front. Orders were also issued curtailing somewhat the power of the Nazi "cells" and restoring to some extent the authority of the old trade unions since these latter were now under Nazi control.

The action of the party in trying to stop the installation of commissars on the initiative of the workers in factories and other enterprises did not mean that the process of "cleaning" and reorganization was to come to an end. It only meant that an attempt was to be made to regularize the process. The party continued to place great faith in the possibility of improving fundamental economic conditions by removing the directors of business enterprises who, the party felt, could not be relied upon to operate industrial and commercial enterprises in the national interest instead of for the benefit of either the stockholders or the management. It was on account of this faith that the party devoted its first months in power to the task of reorganization rather than to specific measures to solve the problem of unemployment.

Immediately after the great National Socialist Labor Day celebration on May 1, the old trade unions were taken over by the Nazis while the principal union leaders were placed under arrest. These unions, of which the more important had been closely connected with the Social Democratic party or with the Catholic political parties, were now united into a "German Labor Front" under the direction of a Nazi commissar. Thus another important step in the process of "coordination" was taken. According to National Socialist doctrine, it was just as important that the leadership of all the labor unions as well as industry should be under party control. With the intention of bringing an end to the conflict of interests between employer and employe and in order to introduce the principal of authority into the labor movement to replace democracy, district "trustees" were appointed to establish wage rates in their respective districts.

It remains to be seen, however, whether these measures will bring about a state of industrial peace. So far the Nazi labor "cells" have shown themselves to be much more radical than the old "Free" or "Christian" labor unions were. This was to be expected. Before the triumph of the party the more conservative workers had remained in the old unions and the Nazi "cells" had consequently to be recruited mainly from the unemployed and from the more radically minded laborers, who in many cases were former Communists. Although the Nazis face no such problem of restoring labor discipline as was the case in Soviet Russia, a certain problem does exist and will demand both discretion and energy to be solved.

The National Socialist party intends that all who are engaged in any form of economic activity shall belong to an organization which shall represent the

industry, trade, profession, art or business in which they are active. These organizations are to be incorporated within a general State structure modeled to some extent on the Italian Corporative State. But the National Socialist organization of the State will of necessity be much more comprehensive and complex than the Fascist, since Germany is so much more highly industrialized than is Italy. It is the aim of National Socialists that none except Jews shall remain outside these organizations and that there shall be no form of human association that is not completely dominated by the party.

Rapid progress is being made in this direction since the old associations, after amalgamation, rationalization and "cleaning," are being utilized as the basis for the new. Through these associations it is hoped that a new spirit in economic life can be created along the lines of the old craft gilds. Some of the associations, however, have from the first shown a tendency to advance the interests of their members at the public expense, so that something other than the gild spirit will have to be employed to protect the public interest.

Apart from the complete reorganization of the economic structure which the National Socialists are carrying out in record time, direct action to bring about economic improvement began with agriculture. Measures have been taken to insure that the German market for foodstuffs shall be reserved exclusively for German farmers. The goal has been set for complete self-sufficiency in food production as necessary for both military and economic reasons. It is a goal that can probably be attained. Inevitably the restriction upon food imports will result in tariff retaliation and in a vanishing export surplus, without which foreign indebtedness cannot be paid. But the Nazis are not inclined to worry about this. Measures have also been taken to lower the interest rate on farmers' debts and to prevent foreclosures on agricultural property. This has been done by compulsory conversion of loans to agriculturists and special moratoriums. It is intended to prevent agricultural property from being burdened with excess debt in the future. To this end inheritance laws are to be changed so that homesteads will not be encumbered for the purpose of dividing the inheritance.

Unemployment was first dealt with by the decision to introduce a year of compulsory labor for German youth. Since some time was required to place the scheme in operation, and since the attention of the party leaders was concentrated elsewhere, it was only in June that plans were announced for a more comprehensive and direct attack upon the unemployment problem. Treasury bills to the amount of 1,000,000,000 marks were provided for a great program of public works. The men to be employed are to receive only their out-of-work pay, one hot meal a day and a small sum in addition, which can be spent only on household necessities. In addition to the public works program, special deductions from income taxes are to be allowed to individuals or corporations who employ additional labor and to families who employ maid servants. A loan of 1,000 marks is to be extended to newly married couples for the purchase of household furniture and utensils. The wife, in case a loan is granted, undertakes not to accept paid employment unless the earnings of her husband fall below a certain low minimum. The loan is to be repaid at the rate of 1 per cent per month. Both these last mentioned measures seek not only to relieve unemployment but also

to withdraw women from industry.

The issue of treasury bills and the remission of taxes will obviously have an inflationary effect. The National Socialists are, however, only following a tendency common to all countries. Moreover, since the wages paid on public works are so low, a relatively large number of men can be employed with the funds appropriated. Needed funds are to be advanced without interest to communities that desire to carry out a program of public works. Some positive results will probably be obtained from this program.

The first few months of National Socialism in Germany have demonstrated very clearly that the movement has a significance quite other than that of a coup d'état engineered by capitalists to save themselves from worse evils. The new order now being set up is assuredly quite different from any previous form of socialism. Yet it is doubtful if the new system can properly be considered a form of capitalism. The writer is inclined to believe that the National Socialists are in the process of setting up an economic and social order on a new model. Whether or not the new mechanism will operate successfully or indeed whether the construction of the new mechanism will ever be completed, depends upon whether or not the fanaticism of the leaders and the masses of the party will tolerate the internal and external peace that is so sorely needed if this economic and social experiment is even to have a chance of being put to a thorough test.

Austria Resists Nazi Imperialism

By B. Z. GOLDBERG

[A close student of European diplomacy and a writer on international affairs generally, Mr. Goldberg contributed one of the two articles on "The Seeds of Europe's Next War" to the May issue of this magazine.]

ONCE more, with a most anxious world looking on, little Austria finds herself in the throes of a bitter conflict over *Anschluss*, that is, union with Germany. Hitherto, the world has been apprehensive because of Austrian enthusiasm for such a union. Today, the peril lurks in the opposite direction—German determination to impose the union upon an unwilling Austria. And Engelbert Dollfuss, the Austrian Chancellor, is face to face with the most formidable political job in Europe to hold intact the Austrian dykes until the Nazi flood waters to the North have subsided.

Austria's change of heart on *Anschluss* is as definite as it is recent. From the days of the peace treaties she courageously supported the movement for Austro-German union. When Dollfuss came into power in May, 1932, he openly advocated it. His support was derived from a coalition in which the Heimatblock, the Fascist party, held a majority of one vote. The leading members of his Cabinet were Pan-Germans. He himself was not averse to Nazi ways. He fulminated against the Social Democrats. He insisted that "our voters need uniforms, parades and banners." He advised the Christian Socialists that "anti-Semitism is a most popular slogan."

But within a few months this diminutive Hitler in embryo had turned his back on Hitlerism. His ardor for *Anschluss* cooled at the prospect of a $42,000,000 loan from France and her allies. It waned even more as the Hitler star rose higher in the German firmament. It dropped to zero with the establishment of the Third Reich. Today Dollfuss stands in open opposition to *Anschluss*, a small but steadfast stumbling-block in the path of Nazi imperialism.

As Austria reversed her stand on *Anschluss* with the victory of Hitlerism in the Reich, so Germany also altered her attitude, but in exactly the opposite direction. Democratic Germany had given little thought to union with Austria after the summary dismissal of the Austro-German customs project in 1931. With the defeat of Curtius and Schober, *Anschluss* was relegated to the realm of suppressed desires. There it remained until Hitler picked it up and injected it into the official Nazi program. The first point of this program demands "the union of all Germans in a greater Reich in accordance with the right of self-determination."

The Third Reich, therefore, is intent upon effecting the *Anschluss* at once. It sought to do so first through diplomatic channels—by joining with Italy, Hungary and Austria in a united Fascist front across Central Europe. But since Premier Mussolini put a damper on such aspirations, it has determined to achieve the union by forcing a Nazi régime upon Austria. As the Austrian Nazis belong to Hitler's party in Germany and take their orders from Berlin, a Nazi vic-

tory in Austria would mean the *de facto* union of the two countries. And the *Anschluss* would be brought about without breaking the peace treaties or subsequent agreements.

To this end, Hitlerite Germany has spent huge sums of money, frequently estimated at $6,000,000, on Nazi propaganda in Austria. Agitators poured across the border, and in every province the ablest of Hitler's emissaries used every means at their disposal without scruple. Bombings and assaults became almost daily occurrences until the Dollfuss government, on June 19, put a ban on all Nazi activities in Austria and expelled the last of the German Nazi organizers.

There is good reason for the Nazis' desperate attempt to force the *Anschluss*. As already pointed out, it is part and parcel of their imperialist program. Having proclaimed the racial unity of all Teutonic peoples, they are determined to realize this unity in a great German Reich. But more immediate is their concern over the isolation into which their crass stupidity in foreign policy has precipitated them. Hitler's record in this field has been one succession of failures. That does not exclude his signing of the Four-Power pact, for thereby he actually agreed to guarantee the permanence of Germany's present frontiers on the east, a thing that previous governments, even the most liberal, always refused to do. To cover up his blunder and bolster Nazi prestige at home, Hitler is urgently in need of some success abroad. Hence his sudden concentration in the direction of Austria.

But Chancellor Dollfuss is answering fire with fire. Against the militant Pan-Germanism of the Nazis he is stirring up a vigorous Austrian nationalism. The press, radio, lecture platform and schoolroom all have been drafted to spread the gospel (Austria's mission as an independe State. Every nook and corner of tl country is plastered with the *Wan Zeitung*, or national wall newspape a broadside published frequently t the Dollfuss Cabinet. In bold black ar scarlet letters it proclaims the rebir of the Austrian national spirit ar exhorts the people to fight the Na giant. "We prefer to remain small b free," War Minister Vaugoin was r cently quoted as saying in the *Wan Zeitung*. "Austria will not be a color of Hitler." To demonstrate this ind pendence, the army uniform, whi resembles that worn by the Germa Reichswehr, is being exchanged f the uniform of the old Austrian Er pire.

Chancellor Dollfuss is upholdir Germanism as an international cu tural force rather than a national p litical weapon. Speaking at Salzbur early in May, he said: "Austria a ways has had a special mission. W gladly acknowledge our German rac but racialism cannot be allowed t become an idol for worship." And an interview on May 29 he state "At least 60 per cent of the Austria people now want to remain Au trians."

To curb the onslaught of the Naz that followed Hitler's victory early March, Chancellor Dollfuss gave the a dose of their own medicine. Resor ing to dictatorial rule, he dissolv Parliament, abolished freedom (speech, press and assemblage, put a end to Hitlerite propaganda on tl radio, and prohibited the wearing (the Nazi party uniform. Since the he has adopted even more drast measures. Late in June he outlawe the Nazi party and forbade the Naz in Austria to engage in any politic activity, to form any other politic party, or to wear the swastika (

Austria and Her Neighbors

other party emblems. To tighten his hold upon the States of the Austrian federation, he placed them under special Commissioners of Public Safety, and required all State employes, both active and retired, to take a new oath of loyalty to the government.

All this was done with the quasi-acquiescence of the Social Democrats, who prefer the fascism of Dollfuss, distasteful as it is, to the National Socialism of Hitler. In April the Social Democrats dealt the *Anschluss* movement a blow of their own by withdrawing their support from it. Much as they desired to join the Republican Fatherland, they bitterly oppose union with the Third Reich.

Anschluss has always been wrapped in a halo of idealism by Germany as well as Austria. Both see in it the realization of their age-old dream of Pan-Germanism and the fulfillment of their cultural mission in the world. Yet, at the same time their attitude toward union is guided by practical considerations of politics and economics.

When Bismarck was forging the modern German State, he could have had Austria for the asking. But he decided against the union. Austria was Catholic. He wanted to make Protestant Prussia supreme. It would not do, therefore, to strengthen the large Catholic element in Bavaria and the Rhineland. Moreover, Austria was cosmopolitan. And Bismarck was building a great Teutonic nation. He did not want her patch-work quilt of races. He feared that they might be a disintegrating force within the Empire. So he bluntly informed the Austrians that they could serve the national cause more effectively by remaining outside.

Austria likewise was guided by practical considerations. She was no match for the Prussians, but she easily outshone the Slavs and Magyars. She supervised their government, financed their business and industry, and ministered to them in material goods as well as in cultural values. She preferred to be first among them, rather than last or one of the last among the German States. Besides serving as the German bulwark in the East, she was the staunch defender of the Roman Catholic Church, and faith took precedence over nationality.

At the end of the World War, however, conditions were reversed. Germany was no longer the Prussian stronghold of old. Austria had lost her non-Teutonic provinces. All practical considerations pointed to their union. For Germany it would have opened the way to new power and glory in the southeast. What had been a dream in the days of her might —the Berlin-to-Bagdad trek—seemed near realization in defeat. For Austria union appeared to be a matter of life and death. Shorn of her markets and resources, she had become an economic absurdity, incapable of existing alone. Her first impulse was to throw herself into the arms of her racial brother and companion in misery. *Anschluss* was proclaimed by Dr. Karl Renner, the Austrian Socialist leader, at the same time that he announced the birth of the Austrian Republic. The provisional Constitution of the German Republic also provided for union.

But the Allies, at the instigation of France, promptly put a check on the proposed union. Provisions against it were inserted in the Treaty of Versailles and the Treaty of St. Germain, but they failed to eliminate the problem. *Anschluss* became the trump card in Austria's political game and a powerful weapon in the hands of Dr. Ignaz Seipel, the astute clerical leader of the post-war decade. Its popularity rose and fell with the tides of Germany's prosperity and prestige. When Germany was prospering, Austria desired to share in that prosperity. When bad times overtook Germany, Austria looked elsewhere for assistance. That is still true. At present Austria has more to gain from foreign aid as an independent State than from union with Hitler's Reich. *Anschluss* today would mean the curtailment of labor's power and freedom, government control of capital, overlordship of the Catholics by Nazi firebrands—all for economic benefits that, at best, would be most precarious.

Can Austria continue to stand alone? Chancellor Dollfuss optimistically answers "Yes." In an interview on May 14 he said: "I believe Austria can live alone. I was an economist before I became a politician and I saw this: let world conditions improve, let us have markets and reasonable facilities for the discharge of our foreign debts and Austria can stand by herself, as Switzerland does." But up till now Austria has not lived alone. Immediately after the establishment of the republic, she was forced to seek foreign aid. During 1919 and 1920 she was given some $72,000,000 in food credits. In 1921 she obtained foreign assistance to the amount of $30,000,000. In 1922 Seipel rescued her finances by practically forcing a loan from the Allies. Through the League of Nations he obtained some $26,000,000 for rehabilitation purposes. In 1930 the League arranged a twenty-seven-year loan of $102,000,000. In 1931 Great Britain and the Bank for International Settlements extended substantial credits. The twenty-year loan of $42,000,000 provided for in the Lausanne Protocol of 1932 is still unpaid, but it will go largely to the settlement of outstanding obligations.

Meanwhile the very thing on which Austria is most dependent—her foreign trade—has dwindled rapidly. The total turnover for 1932 showed a shrinkage of 38 per cent from that for 1931, with the exports declining more than the imports. This decline is due in large measure to obstacles, such as foreign exchange regulations and prohibitive tariffs, that have been placed in the way of international and particularly Central European trade.

Austria has been especially hard hit in the last three years, because her exports are largely luxury articles, the markets for which have been practically obliterated.

That Austria could not stand alone was evident even to her enemies at Versailles. In the exuberance of victory they did not forget Palacky's dictum, "If Austria had not existed, it would have been necessary to invent her." They attempted to invent an economic Austria. In April, 1919, Lloyd George proposed that Austria should conclude a series of preference treaties with her neighbors. But his suggestion was overruled. In 1921 a similar provision was included in the Treaty of St. Germain. By Article 222 of that treaty Austria, Czechoslovakia and Hungary were to be allowed to unite in a special preference system for a term of five years from the enforcement of the treaty, irrespective of most-favored-nation treaties with other powers. But Italy objected. In 1923 still another attempt was made, but without avail. Thereafter the matter was dropped until 1932, when Austria's desperate condition led Premier Tardieu of France to draw up a plan for Danubian union. By a series of preferential agreements he proposed to restore the economic unity of the Dual Monarchy and expand it to include the whole of Austria, Yugoslavia, Czechoslovakia, Hungary and Rumania.

From the economic standpoint this plan seemed sound enough. The Austro-Hungarian Empire, with its 56,000,000 inhabitants, had been a fairly compact and self-sufficing entity. Protected by high tariffs, it absorbed the greater part of its own agricultural and industrial products. Its total exports were less than those of Czechoslovakia today, although that country is only one-fourth as large as the empire in population. But that was before the disintegrating force of economic nationalism set in. After the break-up of the Habsburg realm, each of the Succession States, imbued by racial hatreds and political animosities, set out on the road to self-sufficiency, and sought new markets far beyond the boundaries of the empire. Czechoslovakia and Rumania, for instance, substituted Germany for their old markets within the empire. Other countries turned to Great Britain and Italy. As a result, 65 per cent of their trade now goes to countries outside the Danubian area.

Moreover, the industrial States have strained every effort to develop agriculturally, while the agricultural States have built up their own infant industries, encouraged by high protective tariffs. The consequence is economic stagnation and wasteful dislocation of the little trade that does exist. To remedy this condition, Tardieu proposed to coordinate these States and bring about a free exchange of goods within them. Once the channels of trade were reopened, he reasoned, economic rehabilitation would inevitably follow.

Politically, however, the Danubian plan presented serious difficulties. The Succession States were the wards of France. Their economic union, sponsored by France, would naturally strengthen French hegemony. That would be anathema to Italy as well as to Germany. Furthermore, both these countries have close trade relations with the Succession States, and they would not consent to a Danubian economic union from which they were excluded.

Italy, on the other hand, has her own plan to work out in Central Europe. In economic matters she prefers to deal individually with the Succession States. Politically, she would

like to see a restoration of the Dual Monarchy. This is far afield from the Italian policy of pre-war days. At that time *Anschluss* was not an imminent possibility, but between *Anschluss* and the Habsburgs, the latter certainly are preferable. Italy does not want the Nazi Reich encroaching on her frontiers. She fears the effect of its ardent nationalism upon her 500,000 German subjects in the South Tyrol. Moreover, since she has courted the friendship of Hungary and given support to Prince Otto, the Habsburg heir, she feels that she can rely on the friendliness of a revived monarchy, retain it under her influence, and keep it from becoming too powerful in its own right.

In any monarchist move Italy would have the warm support of the Austrian Catholics. The restoration was Seipel's perpetual dream. In Hungary there is also a strong legitimist movement. That country is still a kingdom, and the monarchists are gaining power as the threat of Hitlerism looms larger. Hungary fears a powerful Reich reaching out once more to the southeast.

Anschluss would solve Austria's economic problem only in the sense that the little country would be swallowed up by the huge economic machine of Germany. As it is, Germany is Austria's best customer, while Austria exports to her more than $30,000,000 in excess of what she imports from the Reich. Historically, Austria's economy is keyed to the rôle of a middleman for the entire Balkan territory. What she needs is larger scope for her commercial and banking facilities She would not obtain that through union with Germany. Joined to the Reich, Vienna would be relegated to the status of Munich or some other provincial town. On the other hand, should Germany eventually realize her ideas of an expansion to the southeast, Vienna would reap the benefits of the frontier trading post from which much of the business activity in that direction would be carried on.

But Austro-German union is a long way from realization. France will never countenance it so long as she retains her superiority in Europe. Italy, too, is set against it. Czechoslovakia dreads it as death itself. For that country it would mean being almost completely surrounded by a hostile Germany, if not the break-up of her Provinces. In fact, *Anschluss* and Pan-Germanism would completely upset the present arrangement in the whole of Central Europe.

Any one of several solutions proposed for the problem of Austria might be made to work out economically. But all are complicated by political considerations that would have far-reaching effects throughout Europe. Before Austria's economic problem can be finally and definitely solved, these political considerations must be removed. That could be done by internationalizing the country and setting it up on the same basis as Switzerland. Once her independence had been insured and her neutrality guaranteed, Austria could work out her own economic salvation, joining in customs unions with any of her neighbors. Her internationalization would be the best guarantee of peace in Central Europe.

Do We Need Private Bankers?

By N. S. B. GRAS

[The writer of this article was Professor of Economic History in the University of Minnesota from 1918 to 1927, and since then Professor of Business History at Harvard. Among his books is *Industrial Evolution*, published in 1930.]

PERIODICALLY the ogre comes back to devour the innocent. This time it is the great banker, the private banker withal, who is seldom seen or heard except under dramatic circumstances. In his lair on Wall Street he is supposed to feed upon laborers, the debtor middle class and even the unfortunate among his own group of capitalists. He is pictured as carrying off as plunder not only factories and ships but whole railroads and power plants. With these he plays as a child with toys—to operate or to destroy at will.

Actually, in sober history, the private banker has been a more or less constant factor in business since the thirteenth and fourteenth centuries. Moreover, his appetite, while adequate, has not been excessive, if we take into account the hazards of his existence.

Probably the private banking class that has come down to the present arose in Italy and Spain first, and then gradually in other countries as commercial towns attained wealth and importance. From first to last the private banker operated under a minimum of regulation, and he has preferred to do his work alone or in partnership. The joint-stock company, incorporated, has not appealed to him. He has liked the idea, as have his clients, of the element of personal responsibility.

Of course, these private bankers, whether developing out of money lending or out of merchandising, took deposits. In the Middle Ages they paid interest on deposits only when they were eager to get funds. They bought and sold gold and silver, handled bills of exchange, transferred credit for merchants and travelers and advanced money to private persons and public authorities. They gained distinction or special notice only when some great event occurred, commonly a disaster.

In more recent times, the Rothschilds, a family of private bankers, were one of the chief financial powers in nineteenth-century Europe. In lending money to governments and in floating securities they were outstanding. Though conservative and trustworthy, they lost both power and prestige in the World War. Perhaps, if they had established a branch in New York instead of depending only on an agent there, they might have retained some of their former influence and wealth. If they had settled on Wall Street they might have been the leaders, in the place of Kuhn, Loeb & Co., of the group that stood out as the chief competitors of J. P. Morgan & Co.

In America the private banker had a growth that was largely his own; he was indigenous to the soil. S. and M. Allen (1815-37) had partnerships in New York, Philadelphia and other cities for the sale of lottery tickets and for dealing in banknotes, commercial paper and foreign exchange. E. W. Clark & Co. of Philadelphia

performed similar functions for the period of 1837-1857, but it had more branches and was more active in the sale of securities. Although the firm still survives, its period of notable achievement ended with the panic of 1857, which destroyed its system of branches.

In business history, experience has a habit of surviving where firms are wrecked. When the Allens went down in the panic of 1837, they left behind E. W. Clark, who had gained experience with them. When the Clark system closed in 1857, Jay Cooke was ready to carry on the practices he had learned with the Clarks. And when Jay Cooke failed in the panic of 1873, his son-in-law established a firm which still exists in Philadelphia and New York.

Jay Cooke was not an ogre; he was a friendly giant. He financed the Civil War in its darkest days, and he did it by appealing to the people directly. He was in fact a prince of advertising. After the war, opportunities to do big things were limited. But Cooke went ahead in a big way, thinking he could finance the construction of the Northern Pacific, even before there were people in the district to use the railroad. Neither Baron Rothschild nor J. P. Morgan Sr. would join Cooke. It is probably not far wrong to say that Cooke was not a great banker, but he had a feeling for popularity which bankers as a class have not possessed. To this day both private investment and public commercial bankers are embarrassed in the face of the populace. So long as this continues both bankers and the public will suffer.

It was J. P. Morgan & Co. that succeeded Jay Cooke as the dominant house in the security field, but Morgan did not continue Cooke's relations with the public. Morgan was a man of few words and great courage; when he had decided, he acted. The chips might fall as they would.

Let us remember one thing about the Morgan of early days. He had been primarily an international banker. He had dealt in foreign exchange and had sold American securities abroad. When those securities did not pay a dividend, Morgan was deeply concerned. Morgan's chief pride was in his integrity and trust. If an American railroad ceased to pay dividends or defaulted on its bonds, Morgan's reputation was at stake. This meant, of course, that his clientele would not be so ready to trust his offerings next time. To protect his sale of securities abroad, Morgan interested himself in an active way in the conduct of American business, not only after the crisis of 1893 but after that of 1884. This change in policy is a major development in American business history.

In both private investment banking and public commercial banking the change from passive to active participation in the affairs of customers is an outstanding development on the side both of financial control and of public relations. We see it working itself out in Germany after the formation of the empire in 1871, when Germany saw ahead of it a great world of commercial conquest. The ambitious empire had vision and technique but it lacked capital. Only by a judicious use of credit could the commercial possibilities be realized. Consortiums of banks made heavy loans, often borrowing abroad, to help German manufacturers of chemical and electrical products, German iron and steel manufacturers, ship-builders and operators, and so on. Before these loans would be granted, a director was often put upon the board of the borrowing concern. The intention was to insure the investment of the bank.

How much of a future this control

of industry by banks has in store for itself remains to be seen. Certainly the Bank of England has recently planned an active participation in the affairs of British industries chiefly in the interest of modernizing factories and stores. Here we have one special form of the capitalistic system. A few bankers, operating with other people's money, undertake to control industry, transportation and commerce. Where private business fails, these super-business men step in to correct and direct. Great is the chance for success or failure, approval or disapproval. Here is the newest form of high finance, the highest pinnacle of individualism and capitalism. Here is the money power on its throne.

J. P. Morgan & Co. saw American railroads mismanaged by buccaneers, and objected. They saw these roads, the securities of which they had sold abroad, mismanaged in the ruthless competition of the day. They saw manufacturing concerns in which they had invested and in which they had interested other people, threatened by ruinous competition such as Carnegie was able and ready to carry through. Among the railroads, to take but one example, Morgan was instrumental in building up the Hill lines—Northern Pacific, Great Northern and Burlington. In the case of industry he erected a monument to himself in the United States Steel Corporation.

It is not to be assumed that Morgan had an easy time in dealing with the various industries and firms that he sought to control. His opponents were frequently more clever than he, or quite unscrupulous—for instance, Fisk and Gould in early days and Harriman and Gates later. There is little doubt that both Gates and Carnegie outmanoeuvred Morgan. Harriman, backed by Kuhn, Loeb & Co., was able to establish a great system in the Southern Pacific Railroad, even though he lost the Burlington to Hill and Morgan. On the whole, I think we can say that Morgan's victories came fundamentally through the fact that the firms which he sought to merge were losing money either through a vicious competitive system or through incompetence and dishonesty.

As long as Morgan was bringing about economies and checking death-dealing competition, he was entitled to applause, but when he turned to comprehensive regional transportation systems and national mercantile marine aspirations, he might be regarded as going too far or at least too fast. He succeeded for the moment in combining railroads, electric transportation and coast steamships in New England, but public opinion and law were against his plans, and the whole system was disbanded. To be sure, there may come a time when the same kind of solution will have to be adopted, but certainly, when it is adopted, the people concerned will have to be a party to it and the price paid for the individual units should be commensurate with their earning power. When Morgan wanted a thing, whether a beautiful painting or a railroad, he would pay almost any price. His extravagance is exemplified by the purchase of the steamship lines which he put together to form the International Mercantile Marine Company. Moreover, Morgan did not realize all the difficulties that confronted America in resurrecting its overseas fleet of merchantmen.

Morgan reached his height in 1907, when some of his enemies went down in the panic and when he and his friends stood like a Gibraltar of strength. He had now all but perfected his system as an institution. With his firm as the centre, he exerted great power over railroads, industrial

corporations and steamship lines. Commercial banks and insurance companies—the biggest in the country—were in the Morgan camp.

Even before many commercial banks had security affiliates, they were in friendly relations with Morgan. The First National Bank of New York, the Guarantee Trust Company of New York and the National City Bank of New York have been outstanding examples of commercial banks working in close relations with Morgan & Co. Although the Federal Reserve Act threatened this relationship somewhat, it was reinforced by the development of security affiliates. American bankers have had a long experience in adapting themselves to the laws. When George F. Baker was asked in 1913 why he had established the First Security Corporation in 1908, he replied that it was to conform to the law, not to violate it. That is, the law prevented his bank from doing a general security business; so he was obliged to form a separate corporation to carry on that business.

The financial group of private banks, commercial banks, insurance companies, railroads, industrial corporations, and so on, was held together by a community of interest. It was an economic empire within a political State. The strength of the group lay partly in the wealth of the members, but much more in the system, which was based upon the ability of its leaders and the confidence which big business felt in Morgan.

Let us not deceive ourselves into thinking that Morgan alone was responsible for the great system that he had built up. The nation's industrial leaders had come to feel the need of a powerful hand to prevent the wastes inherent in competition. Morgan believed that he was serving the people, but that service came through the great corporations. We cannot help comparing this superstructure of financial control with Law's system in France (1716-1720). One outstanding difference, however, was that, while Law's system, backed by the monarchy, was imposed upon an astonished country, Morgan's system was formed in answer to obvious needs for the meeting of which there existed no power in democratic America except his own.

When Morgan & Co. are spoken of as synonymous with Wall Street, the real situation is somewhat perverted. Morgan & Co. have never been the sole power in the Street. In the days before the Federal Reserve System there was a duality of control that was often commented upon and frequently observed in operation. The second power was Kuhn, Loeb & Co. and its allies. Following the lead of Morgan were Lee, Higginson & Co. and a host of other concerns in New York, Chicago and other cities. In the same camp with Kuhn, Loeb & Co. were Kidder, Peabody & Co., Seligman & Co. and many others. It is only fair to add that the members of these rival groups often cooperated or formed new alignments as circumstances indicated they should. In recent years Wall Street has claimed a plurality of interests instead of a duality, but it may be that fresh rivalries will bring back, or have already brought back, the old duality.

In 1913 Morgan was investigated and his money trust challenged. He died soon thereafter; and it was best thus, because in that very year the Federal Reserve Act was passed to decentralize the banking power of the nation. The act aimed, in part, at keeping the balances of the thousands of banks, scattered over the country, in the regions where they were located, instead of being sent to New

York, where they came into the control of the big commercial banks, influenced by Morgan, or into the hands of the private bankers themselves. It is true that the act did not do much to decentralize deposits, but such appeared to be the effect at the time. The star of Morgan Sr. seemed to be setting just before his own light went out.

Then the firm's dramatic return to power occurred upon the outbreak of the European war. J. P. Morgan & Co. helped to finance England and France. Larger profits came to reward the company, and also the feeling of almost complete dominance in Wall Street. The German group in the Street and its Rockefeller allies were for the moment under a cloud. Morgan was the great American factor in the world of gold, munitions, ships and credit.

When peace came, the Morgan firm got at least its share of the foreign-loan business. In order to sell American goods abroad, enormous credits were extended to foreign provinces, cities and firms. This was done by selling in America vast quantities of German and other European as well as South American bonds. Morgan & Co. was one of the chief originators of bonds which were eagerly bought by an optimistic and opulent America.

The firm of Morgan & Co. was not behind the times in getting into the field of public utilities. Gigantic holding companies were formed to take over local and district gas and electric power concerns, some of the latter owning water-power rights. This seemed to make the Morgan system complete. Not only did Morgan and others control much of the people's money but they had their hands on the natural resources of the country.

The financial panic of 1929 threatened Morgan & Co., as it did other bankers. Morgan & Co. tried to stem the tide, but America had grown since 1907 and Morgan had weakened relatively. The tide turned out to be a tidal wave, but Morgan & Co. survived and aided their friends. Of course, the system still lives. The investigation of 1933 shows nothing essentially new about Wall Street or about Morgan & Co. or about private bankers. It does show, nevertheless, how popular representatives react periodically when depressions occur. The investigation has been useful in supplying fresh details for the records, in giving relief to pent-up feelings and in providing data for new tax laws.

The private bankers are a strange phenomena to country bankers who know them not, to rural leaders and to radicals who think emotionally. They have made colossal mistakes. Instead of being wiser than the people, they, the leaders, had been no less foolish in 1923-29 in their attitude to foreign bonds. But there is no question of integrity. In the efforts that have been made to bring order out of chaos, however, the private bankers, Wall Street, if you will, have been far ahead of the representatives sent to Congress. In the period of 1887-1914 Congress prohibited certain kinds of competition, such as Rockefeller had been engaging in, and yet it insisted upon competition as a whole and prohibited trusts, combinations and other kinds of monopoly. For long years there was no distinction between good and bad trusts, and no rule of reason. Legislation reflected the feelings of small amebic business units and the debtor class, and it is well that something gave them support in a changing economic order. But it stands out as a beacon of truth that Wall Street was economically progressive. As long as this remains true, it will be sound policy to think twice before destroy-

ing such an institution, though experience indicates that it must at times be checked.

Federal laws have sought to continue anti-social competition, while Wall Street has been trying to check it. Some who would concede this, say yes, but they have exacted too high a price in profits for themselves. So far no evidence has been produced to prove this, but still it may be so. We lack both facts and yardsticks.

The work of coordination, started by Morgan & Co. in the 1880s, is now being taken over by the government. Individualism has tended to run amuck. The big private bankers turned to remedy abuses. The labor, farmer and intelligentsia groups would have none of this at the hands of Wall Street bankers. Perhaps these bankers were at fault in holding themselves so far aloof from the populace and in refusing to concede that customers and laborers, as such, have rights as deep and undeniable as stockholders have.

Long ago Marx foresaw the rise of big business and the tendency for the units to become even larger until they were taken over by the State. Without any social theory, Morgan & Co. and the other private banks turned to meet the day's need in business by preventing cut-throat competition. Perhaps the ideal would be two or three big concerns in each industry—the United States Steel and Bethlehem in the iron and steel industry, the General Electric and Westinghouse in the electrical industry, Ford and General Motors in the automobile industry, General Mills and Pillsbury in flour milling, Armour and Swift in meat packing, and so on. And then, at the head of all these units, as a super-business group charged with the problems of finance, there would be two big groups of bankers such as Morgan ness, however, an alternative solution feller group and their supporters. I cannot see that private industry has any other solution to the grave problem of balancing supply and demand. One great merit of this would be that the advantages of competition, notably progress in technique and management, would continue.

In answer to the demands of a downward trend of prices and business, however, an alternative solution of government control through trade associations and trade unions is now at hand. This means that a Congress ill-equipped to handle such problems, will be for a period in control and that marginal firms and inefficient workmen will set the pace of industry.

If any social philosophy is required at this stage perhaps the following may be suggested. As in times past, so now, we have two alternatives, the best of each of which should be allowed to take root. In times of the upward swing of business and prices the private banking system or a substitute should prevail; while in times of major depression the government alone can provide the necessary solutions. Each will be a relief to the other. Neither will win. Marx was wrong. A choice of systems is best, as the hand of progress swings threateningly back and forth.

Soviet Russia's Fight for Food

By WILLIAM HENRY CHAMBERLIN

[The writer of the following article has been for over ten years Moscow correspondent of *The Christian Science Monitor*. He is the author of *Soviet Russia* and *The Soviet Planned Economic Order*, and is now writing a history of the Russian revolution for which he was awarded a Guggenheim Fellowship.]

THE visible and unmistakable sign that something is wrong with Russian agriculture is the existing food stringency. In a country that is naturally suited to the production of almost all the staple foodstuffs, a rationing system has prevailed in the towns for years. Conditions in some rural districts, where crops have been short and State grain requisitions ruthless, are much worse than in the meagerly rationed towns, even though reports of wholesale death from starvation may be discounted as grossly exaggerated. Probably the outstanding problem that confronts the Soviet leaders today is the food shortage, so that further industrial progress under the second Five-Year Plan depends largely upon the success with which that crisis is met and overcome.

Most of the anecdotes which circulate in Moscow express the irony of a hungry people. There is the conundrum, "Who are the greatest eaters in the world?" to which the answer is: "The Russians, because they can easily eat up a week's rations in a day." Then there is the imaginary debate about the efficacy of the American and Soviet political systems. "Think of it," says one disputant. "Congress has taught the Americans not to drink." "That is nothing," is the reply. "The Soviets have taught the Russians not to eat."

The amount of food available for individuals has diminished rather than increased since the rationing system was introduced during 1928 and 1929. In Moscow, for instance, during the first years of the system, meat was sold to holders of ration cards pretty regularly at the rate of half a pound for a manual worker and a quarter of a pound for a brain worker every other day. By 1932, however, meat was a rare luxury. In the same way the sugar allotment has been cut down from over three pounds to a little over one pound a month. The situation is relieved for some classes of workers and employes by the provision of hot meals of varying quality in factories and offices, while, at least in the larger towns, children are given some extra food on special cards and have hot breakfasts in the schools.

Whether one takes as an index the meager and diminishing amounts of food which are available on individual cards, the increasing strictness of control or the skyrocketing of prices in the private markets, where a pound of butter costs the equivalent of several days' wages of an average worker, the food situation is unmistakably more strained than in 1928, when the Five-Year Plan went into effect.

The causes of Russia's food shortage are various. During recent years the cities and industrial towns have been growing abnormally fast, partly as the result of the erection of new industrial plants, partly because many people moved into the urban centres in the hope of finding a better supply of food and manufactured goods. As a

result of the enormous amount of new construction and the necessity for moving vast quantities of building material and supplies, the Soviet transportation system has been chronically overstrained. Every year there is a heavy loss of perishable foodstuffs for lack of adequate shipping facilities. Moreover, the government's single-minded concentration upon the goal of rapid industrialization has led to a policy of forcing up the quantity of exports, even of badly needed food products, in order to obtain foreign currency to pay for imports of necessary machinery and equipment.

But the basic cause lies in the agricultural output itself. Here, more than in any other branch of the national economic life, production has fallen far short of the Five-Year Plan estimates. The last year of the plan called for an output of 100,000,000 tons of grain. The Soviet authorities have not published the results of the 1931 and 1932 crops, but there is good reason to believe that in both those years the output fell far below that in the exceptionally favorable year 1930, when over 80,000,000 tons of grain were harvested. Instead of a projected increase in the number of horses, sheep, pigs and cows there has been an enormous decrease. During the Winter of 1929-1930, the peasants slaughtered live stock on a wholesale scale, in part as a protest against the rough methods sometimes employed to induce them to join collective farms, and in part because the State requisitions often left them without enough grain for their own food or for fodder.

Communist policy throughout the last five years has been aiming at a fundamental change in the character and organization of Russian agriculture. Until 1928 the small peasant proprietor, with a holding of twenty or thirty acres, was the typical figure on the Russian countryside. Big landlords had been wiped out; the kulaks, or richer peasants, had lost much of their property in the revolution; and State and collective farms were of relatively small importance. Yet the Soviet leaders looked on small peasant proprietorship with disfavor: first, because it fostered individualist, property-owning instincts among the peasants; second, because small farms, divided, as were most Russian farms, into little strips, were unsuited to the use of tractors and other machines.

Since 1928, therefore, there has been a steady drive, varying in intensity and in methods, but unswerving in its ultimate objective, to force the peasants into *kolkhozi,* or collective farms, where land, working animals and machinery are the property of the farm itself and work is carried on under a board of management nominally elected by the members, although actually a good deal of pressure is often exerted to obtain the selection of candidates regarded as desirable by the local Communist authorities. Along with the collective farms several thousand State farms, where the managers are appointed by the State and laborers are hired on the same basis as in the State factories, were established. A third new agricultural institution of great and growing importance is the machine-tractor station. This is a centre of service and supply from which tractors and other large machines are leased and sent out to collective farms within a given radius.

This Communist agrarian program, on the side of organization, has gone further than the makers of the plan foresaw. Over 60 per cent of peasants —about 15,500,000 families in all— are now enrolled on over 200,000 collective farms, which, with the State farms, cultivate 80 per cent of the planted area. Because of the system-

atic economic discrimination operating against peasants who remain outside the collective farms, the inclusion of the remainder seems only a matter of time. Over 2,000 machine-tractor stations are functioning and about 150,000 tractors are in use in Soviet fields. And yet, side by side with this success in the reorganization of agriculture, a grave crisis is manifest both in peasant productivity and in the supply of food.

When the drive for wholesale collectivization began, it was assumed that the collective farms, equipped with new machinery, would be more productive than the multitude of small holdings out of which they had been formed. It was also more or less taken for granted that the peasant would work as efficiently on a collective farm as on his own holding. Only now, more than three years after the drive was launched, are there significant admissions by the most responsible directors of Soviet agricultural policy that the peasants' zeal in these new enterprises leaves much to be desired.

The comments of these leaders were confirmed by a number of accounts in the Soviet press last Fall of the wholesale growth of weeds and the gross neglect of the fields in many parts of the Ukraine and the North Caucasus. While there has been an increase of the planted area since collective farming was introduced, largely as a result of the more general employment of tractors, there have been reports every year of great losses of grain as a result of indifferent harvesting. Future plans call for an abandonment of efforts to increase the present planted acreage of approximately 330,000,000 acres and for concentration on higher yield.

The old system of cultivation deserved most of the harsh things which Communist and other agricultural specialists have said about it. Certainly it was backward, primitive and unsuited to mechanization and to large-scale production. Yet the peasant, as long as he was inspired by a sense of ownership, had an automatic stimulus to efficient work which he lacks on the collective farm. No overseer had to tell him that he must work overtime to get in his crops if rain threatened or that he must feed and care for his horse, because the consequences of losing the crop or the horse would come out of the peasant's own pocket. Today this peasant, who has joined a collective farm under strong economic and sometimes administrative compulsion, has no feeling that either the collective farm horse or the collective farm crop belongs to him. His work is apt to be correspondingly shiftless and indifferent. All efforts to replace the automatic stimulus of personal ownership through other incentives, such as piecework payment on the collective farm, have thus far proved inadequate, largely because no system has yet been devised for determining payments that will take accurate account of the quality and quantity of work performed.

The problem of management has also been difficult. Before the revolution there were only two classes of people in Russia with any practical experience in managing large farms—the old country gentry and, on a smaller scale, the kulaks. For political and social reasons both these classes have been outlawed; a former country gentleman or a former kulak would never be tolerated as the manager of a State or collective farm. Incidentally, the process of "liquidation"—banishment and expropriation—which has been applied against the kulaks is not the least of the factors in the decline of agricultural production. While the kulaks constituted 4

or 5 per cent of the peasant population they were generally the most enterprising and most progressive farmers, and they certainly produced more than 4 or 5 per cent of the former food supply.

Today the collective farms in the great majority of cases are under the direction of raw, untrained managers. Of course there are some who are capable, but inexperience alone would inevitably lead to a good deal of blundering. The rank and file of the collective farm, who might catch the rhythm of a well-managed enterprise and work efficiently, soon become discouraged and apathetic when they see that the director of the farm himself has little idea of what he is about. More than once, in my travels in the new areas of collective farming, I have heard bearded peasants say, with a rueful shake of the head: "What this place needs is the eye of a master. Without that eye a farm soon goes to rack and ruin."

Apart from the obstacles and difficulties inherent in the change from an individualist to a collectivist system, Soviet agriculture has labored under other disabilities resulting more or less directly from the ambitious pace of industrial development which the Soviet leaders forced upon the country and which only now is being somewhat moderated. The towering steel, chemical, electrical, machine-building and other plants which are in various stages of construction and operation all over Russia are expensive. Since the Soviet Union has been unable to obtain loans abroad, the capital required for the industrial program has had to be squeezed out of the workers and the peasants.

In order to feed the growing army of city workers and employes and obtain agricultural products for export, the Soviet authorities, until recently, have practically requisitioned at fixed prices the surplus of the important crops. The discontent this caused among the peasants has been heightened because they have not received anything like an equivalent in city products.

So great has been the concentration on the so-called heavy industries that the output of articles for daily use has been neglected. Thus the peasant, obliged to sell his products to the State at fixed prices, found himself unable to spend for textiles, kerosene, tea, sugar and other goods, more than a third or a fourth of the paper rubles which he received. At a general meeting on a collective farm where this question was under discussion, I heard a representative of the government explain to the peasants that for every ruble's worth of grain they delivered to the State they would receive thirty-five kopecks worth of manufactured goods. (There are a hundred kopecks to the ruble.) This elicited mutterings of dissatisfaction and one peasant, bolder than the others, shouted: "Thirty-five kopecks on the ruble isn't enough. Couldn't they at least give each of us one shirt?"

State exactions of grain from the peasants more than doubled between 1928 and 1931, increasing from 112,100,000 tsentners (a tsentner is about 220 pounds) to 225,000,000 tsentners. The requisitions were even more severe during the Autumn and Winter of 1931, partly because of the fear of war in the Far East. This system of economic exchange, under which much was taken from the peasant and little given in return—such simple things as tea, sugar and kerosene have become increasingly scarce in the villages in recent years—combined with the novelty and strangeness of the collective method in farming to paralyze the peasants' normal will to work.

Modification of the requisition system began in the Spring of 1932, when the Soviet Government, in an effort to stimulate planting, reduced substantially the amounts of grain, meat and other produce which the peasants were required to sell at fixed prices and gave them the right to dispose freely of the remainder in the open market. Then a period of uncertainty set in. On the one hand, the Soviet authorities recognized the necessity for giving the peasants a greater incentive; yet they were determined to prevent a revival of private trading and to direct the flow of the peasants' surplus foodstuffs into cooperative channels. Finally, early in 1933, a decree prescribed an important change of policy by abolishing the "contracting" system altogether, and substituting a fixed levy in kind. After this is paid the peasant, according to the decree, may do what he likes with the remainder of his products. It is hoped that thus the peasant will have a definite inducement to raise more food and that the desired upturn in agricultural output will be achieved.

That the collective farm is not necessarily pro-Soviet, that it may even be anti-Soviet in character, is an interesting idea which Stalin recently developed before the Communist Party Central Committee when he said: "On the collective farms the peasants possess a form of mass organization and because of this the infiltration of anti-Soviet elements into the collective farms and their anti-Soviet activity may yield much greater effect. * * * Collective farms and State farms are nothing but a weapon. This weapon may under certain conditions be directed against revolution. It may be directed against counter-revolution. It all depends on whose hands hold the weapon." Here one sees evidence of the fear that the collective farm may be not only economically unprofitable but politically unreliable—unless the local Communists take it firmly in hand and guide its policies.

A number of recent measures indicate that the Communists are alive to these dangers. Concessions to the peasants include a fixed tax in place of the previous indefinite and unlimited requisitions, increased emphasis on the output for immediate consumption, and encouragement of direct exchange of manufactures for food between factories and neighboring collective farms. On the other hand, theft of collective farm property is now punishable with death and the penalties for slack work are made more precise and more severe. In the North Caucasus, where last Autumn the resistance to the grain collections was greatest, the populations of whole villages have been deported to remote parts of the country. This process of forcible deportation has been common enough in Russian villages in recent years, but hitherto it has been reserved for the kulaks or for peasants who were outspoken in their opposition to collectivization or to grain requisitions.

Of great potential significance is the establishment of so-called political departments in the machine-tractor stations. These departments are recruited from the most devoted members of the Communist party and the Union of Communist Youth and from thoroughly loyal non-party members. Quality rather than numbers is the guide in selecting the members of these new organizations, which are apparently to function as a kind of auxiliary police and intelligence service in the villages, reporting all cases of sabotage, anti-Soviet activity and inefficiency. The establishment of the political departments is an effort to mobilize all the active Communist

forces in the countryside. The machine-tractor stations, with their high proportion of skilled mechanics, are regarded as politically more trustworthy than the collective farms, with their predominantly peasant membership; and it would seem that they are destined to exercise political as well as economic control over the collective farms which they supply with means of production.

Although the food supply during the last Winter in some parts of the Soviet Union, notably in the North Caucasus, in the Ukraine and Kazakstan, fell to lower levels than had been experienced since 1922, Soviet officials during the Spring months derived considerable reassurance from favorable figures regarding the Spring planting. On May 15, 1933, the planted acreage amounted to 53,075,000 hectares (about 133,000,000 acres), which was almost 10,000,000 hectares more than had been reported on the same date last year. Even in 1930, when Russia enjoyed the best harvest since the revolution, the sown area on May 15 was only 50,519,000 hectares.

The Spring planting figures are cited as proof that the worst is over in breaking in the new system of agriculture and that the long-needed upturn in agricultural production is imminent. The improvement, despite food conditions which in some regions must have made field work difficult for human beings and draught animals alike, is attributed to the increased stability and experience of the collective farms and to the energy which the newly organized political departments of the machine-tractor stations have infused into field work. Since Soviet plans do not call for any considerable increase in the planted acreage this year, the main advantage of the larger sown area lies in the fact that the sowing has been done earlier and hence is more likely to prove effective. While one cannot ignore the favorable augury of these Spring planting figures, it is still obviously too early to be certain about the new harvest. The question of reaping, which in the past has often lagged behind planting, remains to be solved, and weather, of course, is an incalculable factor which must be considered.

Collective farming thus far has not achieved satisfactory results in supplying the country with food; yet there seems little likelihood that the system will be abandoned. The whole economic and propaganda power of the Soviet Government is behind it; a younger generation of peasants is growing up without knowledge of individual ownership, and, since the country's industrial production is focused on the output of tractors and agricultural machines, large farming units seem to be assured. Finally, the revival of the millions of private property claims which have been sunk in the collective farms would produce an almost impossible situation.

Nevertheless, one should not underestimate the seriousness of the Soviet food situation or the really urgent need for increased agricultural output and a cessation of the country's annual weed crops. The industrial chain which the Soviet leaders are forging with such intensity cannot be stronger than its agricultural link. Russia is still basically an agricultural country, and the agrarian problem is the axis around which everything else inevitably tends to revolve.

[The change in the situation since Mr. Chamberlin sent his article from Moscow is dealt with by Professor Furniss's article in the "Month's World History" section elsewhere in this magazine.]

The Real Estate Boom—And After

By ELMER R. COBURN

[As an architect who has practiced his profession for many years, the writer of this article has been brought into close contact with the problems he discusses.]

REAL estate constitutes the largest single item in the national wealth of the United States. According to estimates compiled by the National Industrial Conference Board, the total national wealth in 1929 was about $362,000,000,000, of which real estate represented $198,000,000,000. Deducting $23,000,000,000 for churches, schools and other tax-exempt properties, there remained the $175,000,000,000 that has produced most of our present real estate and mortgage troubles.

There is a tendency to link those troubles with the stock-market crash, although real estate values had been inflated and demanded drastic readjustment long before October, 1929. The real estate crisis is in large part not a result but rather a major cause of the depression. If we go further back than 1929, we find that building progress had been kept within reasonable limits, but that gradually, and then swiftly, new factors came into play. This is seen by comparing the volume of new construction work in 120 key cities during different periods. In the five-year period 1912-1916 the total was slightly over $4,000,000,000, but after the war, in the period 1919-1924, it jumped to $10,000,000,000, and then, in 1925-1929, to $15,000,000,000. These 120 cities, in all parts of the United States, had a total of new construction in the ten years from 1919 to 1929 of $25,000,000,000, as against less than a third as much in the previous decade.

There was no tangible reason for this enormous increase of 200 per cent. The population was not increasing at any greater rate—in each ten-year period by about 15,000,000. In New York City alone new construction from 1920 to 1929 amounted to $7,250,000,000, an increase of 400 per cent from the $1,500,000,000 of the previous ten-year period, while the population increased about 27 per cent. The broken skyline of New York City, indeed, symbolizes the present national crisis in real estate. In this city, where the streets are arranged in almost uniform rectangular blocks, is the most amazing hodgepodge of buildings in the world. The striking irregularity in type and size of building says almost everything there is to be said about the lack of planning which distinguishes the great metropolis.

The whole nation, of course, grew up in the same way. There was no foresight, nothing prearranged. First, within the thirteen original States, and then, with the spread of population across the continent, towns and cities were established as reason dictated—here because of a good harbor, there because of proximity to some natural resource. Buildings, for the most part of simple construction, were put up to furnish the first essentials of shelter. They varied from the wooden shacks of the mining towns to the three or four story brick structures of the larger cities. For several years our cities spread out uniformly over the

land, the skyline being broken only by an occasional church steeple. Not until the application of structural steel to buildings became practicable did architects and builders feel safe in going above the comparatively low buildings permitted by cast-iron columns.

Although the most radical changes in real estate have come since steel made the skyscraper possible, the absence of large amounts of capital still held the number of tall buildings in check. In New York City the first conspicuous skyscrapers, such as the Singer Building, the Metropolitan Tower and later the Woolworth Building, were possible only as monuments of wealth accumulated in business. The interval between these and later buildings was due to the difficulty in raising large funds for the purpose.

The great change came with the mortgage bond, by means of which it was possible to divide large mortgages into small units and thereby, for a time at least, raise almost any sum desired. The banker of the old school who had maintained the rule of not granting a first mortgage for more than 50 per cent of the improved property value had instilled in the public mind a confidence in real estate investment that was not warranted under the new conditions. A mortgage to the average person meant a safe percentage of the value of some property and the mortgage-bond houses, by capitalizing this popular notion, were literally flooded with funds. The sale of these bonds in the 1920s has been estimated at $10,000,000,000. On the other hand, there were comparatively few persons or corporations with sufficient equity to balance the huge amount of money available according to sound principles of mortgage finance—not more than 60 per cent of the total valuation—and the necessity of finding an outlet for these funds gave the shoestring speculator his golden chance.

Various investigations have shown that the more unscrupulous mortgage houses not only accepted false financial set-ups but often conspired in their preparation, and instead of allowing for a full margin of safety, advanced more than the total cost of many projects. The greater volume of construction in New York City in proportion to the country at large was for the most part due to the fact that money for investment flowed from the forty-eight States into the city's lending institutions and that they tended to confine loans to properties within a reasonable distance. The expending of these huge funds fell largely into the hands of men often quite incapable of using them for the benefit of the investors or of the community. The speculator is generally not a man of vision. His paramount interest is to make a profit for himself with other people's money, and his only previous experience not infrequently was gained in a business entirely unrelated to building.

The basic weakness of shoestring speculation is probably due to the expediency which guides the speculator in everything from the selection of the site to the smallest details of the building. Very often the location has been determined by nothing more than that it was the first available site for which the owner would take a second mortgage instead of cash. Many thousands who held vacant land for years prided themselves on their sagacity when they exchanged their deeds for a second mortgage—usually at a higher price than they expected—only to find the whole value wiped out when the building could not yield an adequate return.

In the erection of the building itself the speculator was no less devoid of

conscience. The architect was selected after much shopping and haggling, for ability meant nothing. Very often the choice fell on an architect who agreed to a very low fee or who could guarantee by devious tricks to obtain more rentable space. Contracts were invariably peddled to the lowest bidder. Workmanship and materials were skimped everywhere possible and the work carried out at breakneck speed. The success of the speculator depended on the quick completion of a building and the acquisition of enough tenants to produce an attractive rent roll. The speculator's next objective was to make as quick a turnover as possible. Many of the buildings that thus resulted will undoubtedly remain a serious drag on the investment building market for years to come.

Pyramiding during the Nineteen Twenties was carried to fantastic heights. Sometimes a man with virtually no capital managed to start and maintain construction of several buildings in various stages by taking money from one loan account to begin another or to meet expenditures on those already in progress. One well-known operator was within a few years the nominal owner of seventeen large buildings that cost many million dollars, and there were probably others who beat this record. These business methods in New York City became so intricate and resulted in such serious losses to subcontractors on speculative work that the lien law, which makes the diversion of funds from one building loan account to another a penal offense, had to be put into effect. Speculative building spread from the larger to the smaller cities, as the urge to gamble with other people's money became epidemic. New office buildings, apartments and dwellings were promoted with little regard to the tenant market. A great deal of this spurious investment building went on for a few years without its abuses being realized, enabling many of the earlier speculators to retire with handsome profits.

But a time came when the accumulation of these buildings far exceeded any possible demand. Despite concessions offered to tenants the buildings could not produce even a reasonable return on the highly inflated appraisals. Financial statements had been falsified to such an extent that by sheer weight the whole structure collapsed. Unfortunately, the collapse also affected many honestly financed properties, because the excess of space became so great that very few buildings could be fully occupied. The enterprises financed by reputable mortgage companies have thus had their earning power undermined by deliberately dishonest concerns.

Although shoestring speculation has been mainly responsible for overdevelopment, occasionally the lack of a broad knowledge of rental conditions has added well-financed buildings to the surplus. A New York example of this is the seventy-story RKO Building of the Rockefeller Center group. With 2,000,000 square feet of office space, it comes into the market for tenants at a time when the city already has between 12,000,000 and 14,000,000 square feet of office space vacant. The RKO Building is not a shoestring speculation, but the product of created wealth, a rare case of great wealth aiming at the ideal of city planning. Nevertheless, a broad-scale survey of New York at the time of its inception would have shown the lack of wisdom in such a project.

Another factor in the real estate situation that contributed to the creation of mythical values was the method employed to develop suburban communities. Hardly a city or town in

the United States escaped the speculative land developer. While the more reputable type has in the past often performed a valuable civic service, the question arises whether more careful scrutiny will not have to be brought to bear on the speculative creation of new communities in the future. Scattered all over the nation are parcels of land through which a few streets have been cut and which, for that reason, have been lifted from undeveloped plain acreage to developed property and potentially valued at many times more than they were originally. One such development of about fifty acres was until ten years ago a farm. By the installation of streets, sewers, water supply and other facilities, the value was raised about fivefold. In the course of a few years about half the lots have been sold and a few houses have been built. Now, on reduced incomes the owners of the houses and lots have to scrape together every cent they can to meet the charges on land theoretically worth five times more than it was in 1920.

A large oversupply of buildings or a large number of partly occupied land developments is not only a burden on the community because of inability to meet the so-called fixed charges such as are represented by mortgages and taxes. There is also the cost of maintenance—heating, cleaning, repairs and so forth. But still worse and not fully realized is the effect on many municipalities which are now in financial straits. Such communities in attempting to extend their functions in step with the speculative builder have become burdened with more debt than they can carry. A land development bringing into existence a new community has, for instance, caused a shift in the population, which in turn has necessitated new schools, fire and police stations and so forth and rendered the municipal services in the older neighborhoods prematurely obsolete.

To alleviate the present mortgage situation itself numerous remedies have been proposed. Many of them can be considered only as temporary expedients and can do little more than to ease the hardships resulting from a large and inevitable liquidation. The Home Relief Act aims, for instance, at reducing indirectly part of the unduly high valuations. A cure cannot be effected by adding to an already excessive debt burden, but by exercising caution before starting new construction. Difficulties are already apparent in the slum-clearance projects which are to be financed by the Federal Government. Commendable as are all plans to create employment, we have to remember that the misuse of investors' money has exceeded the requirements of tenants. Yet this new financial reservoir is to be tapped to aggravate the condition further. Few of the many projects so far proposed provide low-cost housing for the people they are supposed to benefit. Some of them are only a resurrection of ideas of the days of the "new era." If the plans fail, the government is by far the heaviest loser; yet under the stress of the moment some of them will probably receive government aid.

It is significant, however, that a great deal of opposition is developing. The Federal Grand Jury Association for the Southern District of New York recently filed a brief with the Reconstruction Finance Corporation attacking two projects—Knickerbocker Village, which is to replace part of the slum area on the lower east side, and the Hillside Avenue housing project in the Bronx, New York. According to press reports the association ob-

jects to Knickerbocker Village because of the inflated value of the land, and it criticizes the R. F. C. loan of 85 per cent of the total cost of the project when 34 per cent of that cost is for the land. The association is also doubtful if the project can be self-liquidating in spite of the minimum rent of $12.50 a room per month. It points out that the average rentals in the same district are not more than $7 a room and asks what is to become of the present tenants of the block that is being replaced.

On the other hand, the association wants to know "where are tenants to be obtained in sufficient numbers to enable the project to meet its operating costs and amortization?" This is a pertinent question, for the Tenement House Commissioner of New York City recently estimated that 200,000 apartments are vacant (others declare that this is too low, one estimate running to 280,000) and in addition between 10,000 and 11,000 families a month have been receiving dispossess notices. Despite good intentions, government financing of new housing threatens to make a bad situation worse. After the last man has laid down his tools and received his relief pay the question of finding tenants will still be unsolved.

Government aid is, of course, intended primarily to bring about recovery, but it also promises to introduce checks on private enterprise in the development of real estate. It is now recognized that there is a real hazard in letting speculation run wild. Income spent on carrying excessive real estate burdens means so much money diverted from active trade channels. Mere legal restrictions cannot correct the errors of the past or prevent similar evils in the future. The statute books are already filled with building and zoning laws as well as measures to regulate the selling of securities. But changing conditions circumvent these efforts and bring new complications, and it is only by some form of central control over the means of property development that the production of far more space than we need can be prevented.

One proposal to deal with the problem is the coordination of all loan facilities under a central mortgage board. Hirtherto lending institutions have operated independently of one another, in ignorance of what projects are being financed. This has often led to the overbuilding of a neighborhood. But while a central mortgage board could better control the granting of loans in the larger cities, it could not regulate new construction. It has therefore been proposed to discover the present supply of available accommodations in each class of building, the planned and actual additions to each class, the location, economic trends affecting neighborhoods, impending shortages, competitive areas, rehabilitation needs, the extent and causes of vacancies and the best uses that can be made of given pieces of property. Then, on the basis of these facts, new buildings would be limited and permits refused unless it could be proved that they were actually needed.

Whatever may be the merits of these particular proposals, it is only by some such form of planning that real estate development in all its phases can be placed upon a proper basis and cease to be a source of disturbance and disastrous loss to our national economic life.

The New Move to End Child Labor

By DOROTHY DUNBAR BROMLEY

[Mrs. Bromley is a journalist who has specialized in sociological subjects as well as problems of a legal and medical nature. She takes up the cudgels for the Child Labor Amendment in the belief that child labor is both a social and an economic evil.]

AFTER nearly four years of depression it has become apparent that thousands upon thousands of children are working long hours in factories and sweatshops while adults remain idle, and that home markets are being flooded with cheap goods from States where child labor laws are lax. So anomalous a situation has revived interest in the Child Labor Amendment which was passed by Congress in 1924, but never accepted by the States. Though the Colorado Legislature unexpectedly disinterred and ratified it in 1931, it was not until the early part of 1933 that the amendment really came to life. Since then Oregon, Washington, North Dakota, Ohio, Michigan, New Jersey and New Hampshire have ratified it in quick succession, and at this writing there is a possibility of its consideration before the end of the legislative year in Massachusetts, Illinois, Oklahoma and Louisiana.

The fact that forty States originally killed the amendment and that nine years have elapsed since its passage by Congress, will not, in the opinion of constitutional authorities, invalidate i· if and when it is voted upon favorably by the necessary thirty-six States. Ratification of an amendment is final and conclusive, but an adverse vote may be reconsidered. The question as to the length of time that may elapse between passage by Congress and ratification by the States, has never been settled. Both the Lame Duck and the Prohibition Repeal Amendments called for ratification within seven years, but there is no time limit specified in the Child Labor Amendment and it is assumed that passage within the next few years would be approved by the courts as falling within a reasonable length of time.

That child labor is now generally admitted to be a social evil is proof that the human race does advance, if by a very zigzag course. Not so many centuries ago Anglo-Saxon law made labor compulsory for children of the lower classes. With the breaking up of the feudal system under Edward III the Statute of Laborers was passed (1360) to force the agricultural workers, including the children, to remain on the land. In the reign of Elizabeth the Poor Law called for the employment of children "to accustom them to labor and to afford a prophylactic against vagabonds and paupers."

In this country the Colonists enacted similar laws, while the Puritan religion, which held all idleness wicked, served to enslave children in their own homes. Bradford writes that "many children * * * having learned to bear ye yoake in their youth, and willing to bear parte of their parents' burden, were oftentimes so oppressed with their hevie labours that though their minds were free and willing, yet their bodies bowed under ye weight of ye same and became decreped in their early youth." Child workers were imported by the boat-load from England,

Neill telling us in his *Virginia Carolorum* that as many as 15,000 were brought over in one year. After the seventeenth century when the spinning craze swept the country children were pressed into service on all sides, and in 1767 the Governor of New York boasted that "every house swarms with children set to work as soon as they could spin or card."

Since children were already engaged in industry, they were as a matter of course employed on a large scale by the factories which sprang up in the nineteenth century. The opportunity for "honest labor" which the new industry afforded children was hailed—even by the philanthropists—as a blessing, and no secret was made of the fact that their labor was vital to our national progress. It is a bitter but irrefutable conclusion that the country climbed to industrial supremacy over the bodies of the factory children. Between 1864 and 1894 we rose from fourth to first place in industrial output among the nations of the world, the volume of our manufacturing products having multiplied twenty times in that period. The rise was most phenomenal in industries that employed children extensively. In the South the number of spindles increased between 1880 and 1900 from 667,000 to 7,000,000, while our coal output rose from 42,000,000 to 269,000,000 tons.

Men who saw themselves becoming millionaires overnight did not stop to count the human cost. By the middle of the century very mild regulatory laws had been passed in Pennsylvania and Rhode Island where 12 years was set as the minimum age for factory work, in Massachusetts where 10 years was made the minimum and in Connecticut where it was as low as 9 years. Regulations in the South came much later, with the passage of a law by Alabama in 1887 prohibiting the labor of children under 14 and establishing an eight-hour day for those from 14 to 18. But the law was very soon repealed, presumably at the instigation of Northern manufacturers.

This setback caused the author of the Alabama law, the Rev. Edgar Gardner Murphy, to conclude that the problem was a nation-wide one, and it was due to his pioneer work that the National Child Labor Committee was formed in 1904, with a distinguished group of men and women on its roster. Dr. Felix Adler accepted the chairmanship, while Miss Jane Addams, Grover Cleveland, Charles W. Eliot, Homer Folks, Robert W. deForest, Cardinal Gibbons, Mrs. Florence Kelley, Adolph S. Ochs, Gifford Pinchot and Miss Lillian D. Wald were among its first members.

The committee set out to investigate and report facts concerning child labor, to raise the standard of public opinion and to assist in protecting children by suitable legislation. The striking progress they have made in thirty years' time is best illustrated by comparative census figures. In 1900 there were 1,750,178 children from 10 to 15 years of age gainfully employed, or 18 per cent of the population of this age, as compared with 667,118, or only 4.7 per cent, in 1930. In 1900 the number of children engaged in mining was 24,000, as against a mere 1,184 in 1930, and 260,000 in manufacturing and mechanical pursuits as compared with only 68,266 in 1930.

Conditions of child labor in the early years of the century were vividly pictured by the late Senator Albert J. Beveridge when he made a three-day speech before the Senate in 1907. He told of children from 7 to 14 years of age, working on the "breakers,"

bent over a dusty stream of coal; of little girls standing barefooted in pools of water twisting coils of wet hemp; of small boys toiling in the heat of glass factories that were fenced in with barbed wire "so that the little imps could not escape at night," as one foreman said; of still other children rising at 4 A. M. to go to the textile mills, many of them stooped like old people, moving as though in pain.

Senator Beveridge's was a voice crying in the wilderness so far as Congress was concerned. Public indignation was already aroused, but it was not until 1916 that Congress was ready to pass a Federal law. This law prohibited "the shipment in interstate and foreign commerce of goods produced in mines or quarries in which children under 16 years of age were employed, or in mills, canneries, workshops, factories or manufacturing establishments in which children under 14 years of age were employed, or in which children 14 to 16 years of age worked more than eight hours a day or six days a week, or between 7 P. M. and 6 A. M." In signing this bill President Wilson "congratulated the country and felicitated himself."

But the law was declared unconstitutional by the United States Supreme Court in a 5-to-4 decision on June 3, 1918. Mr. Justice Day held that it "not only transcends the authority delegated to Congress over commerce but also exerts a power as to a purely local matter to which the Federal authority does not extend." Mr. Justice Holmes, dissenting, claimed that "the act does not meddle with anything belonging to the States," and he observed that "if there is any matter upon which civilized countries have agreed—far more unanimously than they have with regard to intoxicants and some other matters over which this country is now emotionally aroused—it is the evil of premature and excessive child labor."

A year later, in 1919, a second attempt was made to regulate child labor, this time through a Federal law imposing a tax upon the profits of all mines and manufacturing establishments employing children in violation of the standards set forth in the 1916 law. This law, too, was thrown out by the Supreme Court, in an opinion written by Chief Justice Taft in 1922. He held that "the so-called tax is a penalty to coerce people of a State to act as Congress wishes them to act in respect of a matter completely the business of the State governments."

The Supreme Court's decisions have been widely discussed. Dean Wiley Rutledge of the Washington University Law School, in attacking their consistency, points out that the interstate commerce clause has been used to prohibit interstate traffic in lottery tickets, impure foods and drugs, obscene matter and intoxicating liquor, and also that "use of the taxing power to destroy had previously been upheld by the court, notably when it sustained the action of Congress in driving State and private issues of currency out of existence."

Whether or not the decisions of the Supreme Court were good law, the harm that they caused in individual cases probably cannot be denied. Several years later, for example, a New York newspaper printed an interview with the North Carolina boy on whose behalf the suit had been brought against the first Federal law of 1916. The reporter found a youth of 19, weighing 105 pounds, who had worked, since he was 12, twelve hours a day. His growth had been stunted by the dust and the lint, and he vowed that his little sister was not to follow in his footsteps.

After the second Supreme Court decision, it was decided that an amendment to the Constitution was the only solution. So the National Child Labor Committee, working with the National Consumers League, the League of Women Voters and the American Federation of Labor, agreed upon a simply phrased amendment giving Congress "the power to limit, regulate and prohibit the labor of persons under 18 years of age." This amendment was finally introduced in Congress in 1924, and owing to the pressure brought to bear by President Coolidge on his party followers it was passed by a vote of 297 to 69 in the House, and 61 to 23 in the Senate. But it was not to have such clear sailing in the State Legislatures. The manufacturers' associations, after failing to prevent its passage by Congress, concentrated their campaign in the key States of Massachusetts, New York and Pennsylvania, on the theory that other States would follow their lead.

In Massachusetts, where the Legislature authorized a referendum on the amendment, the fight was a bitter one. A group organized under the name of "The Citizens' Committee to Protect Our Homes and Children" used the radio, the advertising columns of the newspapers, the public platform and thousands of handbills to persuade the voters that the proposed Child Labor Amendment was a dangerously socialistic measure. They claimed that three of the proponents of the amendment, Mrs. Florence Kelley of the Consumers' League, Owen R. Lovejoy and Miss Jane Addams, had socialistic, if not communistic, leanings, and it was suggested that they had taken a leaf out of the manifesto of the Third International, in which it was declared that "all young workers up to 18 years of age must be cared for by the State and treated from an educational point of view." The aim of the amendment, they said, was to "nationalize" all American children under 18 and remove them from the control of their parents.

The raising of the communistic bogy was undoubtedly a campaign device, since the "Committee to Protect Our Homes and Children" knew well enough that the amendment had been drafted in consultation with the late Senator Thomas J. Walsh, Senator George Wharton Pepper and Father John A. Ryan of the Catholic University of America, not one of whom could be accused of communistic beliefs. Yet a number of leading citizens of Massachusetts lent the prestige of their names to the panic propaganda that was disseminated. All told, the opponents of the amendment spent $15,000 to defeat it in Massachusetts, while its friends had less than $2,000 to spend. It is, therefore, not surprising that the people, misinformed as to the real purpose of the amendment, rejected it by a vote of 696,119 to 27,221.

The amendment suffered no less ignominious defeat in New York State. Both parties had promised it their support in the 1924 campaign, and Governor Smith had personally declared himself in favor of ratification by the Legislature. But when the showdown came he recommended a referendum instead, and even this measure did not pass the Legislature.

Only Arkansas, Arizona, California and Wisconsin, none of which is primarily an industrial State, ratified the amendment in the first two years, Montana following in 1927. It was supported by practically every socially minded organization in the country—the League of Women Voters, the General Federation of Women's Clubs, the American Federation of Labor, the

National Council of Catholic Women, the National Council of Jewish Women, the National Consumers' League, the W. C. T. U., the Y. W. C. A. and the National Education Association. Yet the Legislatures took their cue from chambers of commerce and the National Manufacturers' Association.

Various objections were raised to the amendment that were not quite so far-fetched as the communistic bogy. First of all, it was contended that the age limit of 18 was too high and that it was folly to give Congress the right to prevent young people over 16 years of age from working. Those who drafted the amendment answered that this age limit was set so as to permit Congress, if it saw fit, to regulate the employment of boys and girls under 18 in night work and in dangerous occupations, as several of the States already had done. Still it seems unfortunate that the amendment reads so broadly. The 18-year age limit has given its opponents the opportunity to assert, quite incorrectly, that the amendment would automatically prohibit the labor of children under 18, just as the Eighteenth Amendment prohibited the sale of intoxicating liquor. Actually it only gives Congress the power "to limit, regulate and prohibit" the labor of children up to 18. Common sense tells us that no Congress is going to prohibit able-bodied youngsters of 17 and 18 from working, although it might prevent their engaging in occupations harmful to their health.

In the second place, the cry was raised that the amendment would make it illegal for a farmer to require his son's services on the farm or for a mother to oblige her daughter to do housework. Modifications exempting domestic and agricultural labor had been suggested in Congress, but they were rejected by the supporters of the amendment because it did not seem wise to write specific provisions into it. An amendment to the Constitution is properly an extension of power to Congress, not a statute setting forth what may or may not be done, and as such it should be broad enough to permit of whatever legislation may be necessary in the next hundred or five hundred years. It is inconceivable, as Senator Thomas J. Walsh pointed out, that "Congress would make a criminal of the farmer who directed his 14-year-old boy to go out and tend the stock." On the other hand, if children are increasingly exploited in the beet fields, in truck gardens and through contract farm labor, Congress may at some time in the future feel called upon to regulate their employment in industrialized agriculture, although it has shown no such intention so far. Also, if the exploitation of young girls in domestic service, which has become so common during the depression, should continue, legislation to protect them would most certainly be in order, although it is doubtful whether it could ever be enforced.

Finally, it was argued that the individual States were very well able to regulate child labor. The ratification of the amendment, it was said, would only add to the dangerous concentration of power in the Federal government which is the present-day tendency. Yet at the time of the passage of the amendment only thirteen States had measured up in every detail to the conservative standards of the first Federal Child Labor Law, while enforcement everywhere depended on appropriations and personnel. A newspaper investigation showed that Mississippi had but one factory inspector, with a yearly appropriation of $5,500. This inspector said that about 1,200 boys and girls had gone back to work in the cotton mills since the

last Federal law had been thrown out.

The situation has improved somewhat since 1924. Ten States have now a 15 or 16-year age minimum for children who can be employed in industry, and thirty-seven States have a 14-year age minimum. But many of these laws apply only to a limited list of occupations or do not cover employment outside school hours or are shot through with poverty exemptions. Nine States, for instance, still have loopholes in their laws which permit children under 14 years to work in factories. All States regulate hours of work, the large majority having an eight-hour day and a forty-eight-hour week for children under 16, with a few States above and a few below this standard. Night work is restricted almost everywhere, and in a number of States up to 18 years of age, while thirty-seven States restrict the employment of children in dangerous occupations up to 16 years, and thirteen States up to 18 years. Educational and health requirements, furthermore, are much higher than formerly.

Despite State laws, conditions are bad today in the industrial centres of the East and in the South. In these sections the depression has shown to what grim use children can be put in industry, often within the limits of the law. While the total number of children employed throughout the country has dropped along with the general decline in employment, the number of 14 and 15-year-old children working in South Carolina in non-agricultural occupations, mostly in textile mills, increased 29 per cent between 1920 and 1930. In the clothing industry the influx of young people is still more shocking—in Connecticut and Rhode Island the number of workers 16 and 17 years of age increased 123 per cent and 283 per cent respectively, in Pennsylvania 62 per cent, and in Massachusetts 52 per cent.

Wages paid to these children frequently run as low as $1 and $2 a week, or even less, and working conditions are of the worst. A few months ago the young workers in Allentown, Uniontown and Northampton, Pa., went on strike, with Mrs. Gifford Pinchot, wife of the Governor, heading their picket-line. (Pennsylvania is one of the few Northern States that permit children over 14 to work a fifty-four hour week.) The Pennsylvania Legislature made the gesture of ordering an investigation of the sweatshops, but it voted no funds for the purpose. It refused, furthermore, to let the Child Labor Amendment out of committee.

After the two Federal laws were declared unconstitutional and the amendment failed of ratification, most people concluded that child labor was an evil that we or the Federal Government could do nothing about. But conditions in the sweatshops today are so appalling, and the economic consequences of the employment of children are so apparent, that some sort of remedial action would seem to be imperative. A large number of newspapers have inveighed editorially against child labor, some of them specifically supporting the amendment. A surprising number of Southern papers have endorsed it and we find one of them declaring that "if a nation cannot support its population without demanding back-breaking toil from children, then that nation does not deserve to endure."

Groups that originally fought the amendment are beginning to yield ground. In Massachusetts, where Cardinal O'Connell worked against its passage in 1924 (despite the fact that it was supported by Father Ryan of

the Catholic University of America and by the National Council of Catholic Women), opposition from the Catholic Church appears to have been withdrawn. Reputable manufacturers are alarmed over the disastrous competition that comes from sweatshops, and a few, at least, are ready to accept the amendment as the only effective solution. When hearings were held by the Pennsylvania Legislature, Julian R. Bux, president of the Philadelphia Textile Manufacturers Association, appeared in support of the amendment, although he spoke for himself and not his organization.

The fate of the Child Labor Amendment may depend upon the duration of the depression, as public interest is likely to subside with the return of prosperity. It is to be expected, too, that the National Recovery Act, by raising the standards of child as well as of adult labor, will improve conditions for the two years that it is in effect, and so make the need for the amendment less apparent. Thirteen States have at this writing passed on the amendment favorably, while four others are in the doubtful column for 1933. Of the rest, the Legislatures of but six meet in regular session in 1934, not enough to make the required thirty-six, even should they all ratify.

The only hope for prompt action would seem to lie in a message to the States from President Roosevelt, urging that they convene in special session to consider the amendment. It will be remembered that during the campaign he put himself on record as "in favor of keeping children in school to the age of 16."

On the other hand, no less a figure than Clarence S. Martin, the president of the American Bar Association, gives it as his opinion that "the adoption of the amendment is but a step in the destruction of our republican form of government"; while the argument has been put forth that in view of the steady progress made by States in combating the evils of child labor, there is no need for another amendment to the Constitution which would transfer control from the States to a Federal bureaucracy. It is quite true that conditions have greatly improved since the early days of the child-labor movement. Yet the depression has brought back in all of their ugliness the sweatshops that fatten upon the labor of young people. And it has shown us that in times of keen competition it is almost impossible for individual States to maintain decent labor standards while others countenance lax standards. As Dean Roscoe W. Pound of the Harvard Law School has said, "so far as industry and business are concerned, State lines are but lines upon the map." Mr. Martin's argument that we would be destroying our republican form of government by the adoption of the amendment might be answered with the late Senator Beveridge's declaration that "the Constitution was not written to shackle human progress, but to give it free play, and that it was made for the people and not the people for the Constitution." No one can deny his assertion that "the purpose of our Republic is to make better human beings."

Maxim Gorky: Russia's Literary Idol

By ALEXANDER BAKSHY

[Apart from the experience Mr. Bakshy has had in England and America as a literary critic and writer on art and the theatre, he possesses an intimate knowledge of Russian literature.]

WITH the publication of *Bystander, The Magnet* and *Other Fires,** the first three novels of the great uncompleted work in four parts entitled *The Life of Clim Samghin,* Maxim Gorky has come to a time when both the literary critic and the historian find it of interest to consider anew the value and significance of his achievement as a writer. Born on March 14, 1868, he has after a career filled with varied and exciting experiences taken his undisputed place as the leading Russian author of his generation.

It may be that the world's ear is not yet attuned to the proletarian pitch of Soviet literature, or that contemporary Soviet writers lack the necessary power to compel attention outside their own country, but whatever the reason, not a single Soviet author has so far succeeded in capturing the imagination of the world public, or has even established himself as a literary figure of more than local importance. This is no less true of Gorky in spite of his almost universal popularity. To the outside world he is still a writer of pre-revolutionary Russia. On the other hand, since he has allied himself in sentiment with the Soviet régime and become an acknowledged champion of its cause, the Russian people regard him as the one Soviet writer who has come to symbolize the spirit and power of proletarian art.

Gorky's popularity in Soviet Russia is thus not entirely based on his creative work as an artist. In fact, as a man and a revolutionary he bulks as large in the appreciation of his countrymen as he does as novelist and playwright. Yet these two aspects of his personality bear an important relation to each other. They are different expressions of the same attitude to life, an attitude inspired by a profound faith in the creative spirit of man, an admiration for courage and perseverance in action, a worship of intellect and culture, and an intense hatred of all that degrades the human spirit. Unquestionably he has to be understood, not only as an artist but also as a thinker who has always been keenly and actively interested in the political and cultural life of his country.

The American public has perhaps forgotten the scandal attending Gorky's visit to this country in 1906. Alexander Kaun, in his excellent book *Maxim Gorky and His Russia,* has recently given a full and illuminating account of the episode. He makes it clear that, hypocritical as was the attitude toward Gorky, the trouble was really caused by his political enemies in the Czarist embassy at Washington. Gorky's visit was for the purpose of rousing American opinion against Czarist Russia and securing financial support for the Russian Social Democratic party. In this he was trying to do openly what for a number of years

*New York: Appleton. $3 each.

he had been doing in a more or less underground way within Russia itself.

As a political free-lance Gorky had maintained a close contact with revolutionary parties, particularly with the Bolshevist section of the Social Democratic party, contributing generously to their funds and enlisting similar aid from some of his wealthy friends. It was thanks to him, for instance, that the *Iskra* (Spark), the central organ of the Social Democratic party which was published abroad and smuggled into Russia for secret circulation, enjoyed comparative ease with money supplied by the millionaire manufacturer, Savva Morozov.

More openly Gorky allied himself with the revolutionary movement during the events connected with that landmark in the political history of Russia, the Bloody Sunday of Jan. 22, 1905. On the eve of the workers' march to the Winter Palace to lay their petition before the Czar, he and a few other Russian writers sought out the government Ministers and pleaded with them to avoid bloodshed. The plea was not heeded, and Gorky himself was witness of the massacre that took place the next day. His public denunciation of this crime and his imprisonment on a charge of conspiring to set up a "provisional government" aroused the entire civilized world. The result was that to placate public opinion abroad as well as at home the government set him free.

Before many months were past Gorky was in the fighting line again. The brief revolutionary interlude of the Winter of 1905-1906 found him at the helm of a Bolshevik daily sharing editorial duties with Lenin, and later, during the abortive insurrection in Moscow, energetically helping to secure means for the arming of the workers. These activities did not remain a secret, and when with the crushing of the Moscow uprising the government definitely established its ascendency, Gorky thought it wise to seek the safety of foreign lands.

The next few years brought him into still closer association with the Bolshevik leaders. His literary work continued to be his main occupation, but he readily lent his services to his political friends. At the suggestion of Krassin he undertook his trip to America in 1906. He attended the congress of the Social Democratic party in London in 1907, witnessed the deepening of the rift between the Bolsheviki and the Mensheviki and cemented his friendship with Lenin. Two years later he established a school at Capri, where he lived throughout this period of exile, to provide political education for selected proletarian members of the party specially brought over from Russia. This last enterprise, conducted in cooperation with Lunacharsky, Bogdanov and a few other Bolshevik leaders, somewhat alienated him from Lenin, who at the time was fighting the "heretical" leanings of this group toward philosophical idealism and a kind of mystic humanism as well as its advocacy of recall of Bolshevik Deputies from the Duma (a policy which was known in Russia as "otzovism").

A man of considerable learning in many fields of knowledge, Gorky has never shown any marked aptitude for theoretical thinking. The verbal aspect of ideas, their emotional content clothed in picturesque phrasing, has always impressed him vastly more than their abstract significance or logic. Small wonder that he neither understood Lenin's vehement opposition to the theories advocated by his school associates, nor felt inclined to abandon his own sentimental worship

of the godless religiosity which as a miracle-working faith in humanity he believed to be at the core of mass enthusiasm and of collective mass effort. His novel, *The Confession,* in which he gave vent to this sentiment, was in fact the literary banner of the "god-builders," as Lunacharsky and his followers styled themselves, and was prominently involved in the controversy.

In the end, Lenin succeeded in his attack against the school and the doctrines of its leaders which threatened to disrupt the Bolshevik faction. The school closed and the dissident movement gradually petered out. But the controversy left its trace on Lenin's friendship with Gorky. Lenin was genuinely attached to Gorky and greatly admired him as a writer, regarding him as the most potent revolutionary and proletarian force in Russian literature. But he was adamant where fundamental principles were concerned, and Gorky, though forced to admit the error of "god-building" as a theory, emotionally retained a lurking sympathy for it, which now and again betrayed him into provocative statements. Thus, with Lenin repeatedly taking him to task for such lapses, the intellectual gulf between them grew wider during the years of the war and the early stages of the revolution. Only after the Bolsheviki had been in power for nearly a year were the two men reconciled.

In 1914, after eight years of exile, Gorky took advantage of the political amnesty and returned to Russia. The World War broke out within a few months of his arrival. Before his eyes passed the collapse of the Socialist movement in Europe, the orgy of jingoism that swept all nations, the vandalism of war, the bankruptcy of modern civilization. Keener political minds than his among the revolutionary friends found themselves at sea, unable to formulate a policy, where they were not carried away by popular sentiment. Gorky, too, could see only the wreckage of his revolutionary hopes, with no immediate means of continuing the struggle. As editor of a literary monthly he confined himself to one task, the preservation of culture, of human values, of democratic ideals.

Then in the midst of war, came the revolution. To Gorky the Socialist and revolutionist, it was the long hoped for deliverer. But not only had it to deliver the nation from political misrule and social injustice. It had to deliver it also from the anarchy which it brought in its trail and which threatened to engulf the last remnants of culture. In his resurrected daily *Novaia Zhizn* (The New Life) Gorky strove for both ends. But while his denunciation of the war and championship of the workers earned him the hatred of the more moderate groups, his fear of anarchy and his idealistic worship of cultural values brought him into an equally bitter conflict with Lenin and his handful of Bolshevik followers.

Gorky did not believe in the ability of Lenin to ride the storm and treated his attempt to seize power as a reckless adventure bound to plunge the country into utter chaos. Nor was he any less vehement in criticizing the Bolsheviki when, after capturing power, they suppressed political liberties and proceeded to "experiment" on the people under the existing conditions of widespread and growing distress. To the Bolsheviki, of course, Gorky's paper was a thorn in the flesh. They considered suppressing it. A characteristic comment on this by Lenin is cited by Alexander Kaun in his book on Gorky.

"Of course, we must suspend *Novaia Zhizn,*" said Lenin. "Under present conditions, when we are to raise the whole country for the defense of the revolution, any intelligentsia-pessimism is extremely harmful. Yet Gorky is one of us. He is too closely knit with the labor class and the labor movement, and he comes from the 'lowly' himself. He will come back to us, beyond doubt. Such things happened to him before, as in 1908, during the *Otzovists*. He has been afflicted by such political zigzags."

The Bolsheviks were spared the necessity of suppressing the paper, for it soon died a natural death. But Lenin's prophecy of Gorky's return to the fold came true to the letter. Gorky's efforts to protect and preserve cultural institutions and to ease the hardships of scientists, writers and artists, the mainstays of culture, involved cooperation with the Soviet authorities. Later, after the attempt on Lenin's life, came the resumption of Gorky's friendship with Lenin and the general realization of the fact that the Bolsheviks were riding the social storm and that with them lay the hope both of revolution and of culture. There was jubilation in the Bolshevik family at the return of the prodigal son, balanced, as was to be expected, by shouts of betrayal and virulent abuse in the camp of the irreconcilable intelligentsia.

For Gorky there now began a new period of active life, a period not only of effort to save the treasures of the past but of enthusiastic participation in the building of a new culture based on creative labor, which has been the one guiding light in his work as an artist. It is his services in this field that, though hampered, but not interrupted by his second prolonged stay in Italy for his health, have added greatly to his popularity in Russia.

Through his paternal solicitude f the advancement of Soviet literatu expressed in personal encourageme and critical advice to hundreds young writers, through his editorshi since his return to Russia in 1928, such magazines as *Literary Schoolir* and *Our Achievements,* and throug his amazingly prolific work as publ cist, Gorky has exercised an influen on the cultural life of Soviet Ru sia that is comparable only to the i fluence of Leo Tolstoy in pre-revol tionary Russia—with, however, o important difference. In Tolstoy tl artist and the preacher were constan ly at war with one another; in Gorl the preacher is illumined and fort fied by the artist.

What precisely are the elements Gorky's art that set him apart fro "bourgeois" writers and reveal a sp cific proletarian mentality? If by proletarian we understand an indu trial worker who sells his labor-pow to a capitalist, clearly a worker und the Soviet system or in a classle Communist society is a proletarian a different kind. Likewise, the prol tarian mentality, even of the "clas conscious" variety, as it exists und capitalism must of necessity diff from both the Soviet and the futu Communist mentality in many esse tial points.

Nor can one regard as essentiall proletarian the habits of mind an standards of value which grow out the subjection of the workers by oth classes. The vices of wealth and le sure for which the ruling classes a held up to so much derision, may co ceivably turn into virtues when le sure and wealth become the privile of all. Conversely, some of the vi tues that are now claimed for tl proletarian psychology, such as tl revolutionary attitude of mind wit its reliance on force as the key to a

problems and its rebellious contempt for tradition and set forms of life, are likely to lose most of their glamour or even be condemned as counter-revolutionary romanticism, as soon as Communist society succeeds in forcing human life into its rigid mold.

On the other hand, certain psychological and intellectual traits distinguishing the proletariat as a class in the capitalist world will doubtless survive and become even more dominant under the sway of communism. One of them is the collectivist consciousness of being a part of the whole, with its natural corollary, the spirit of discipline and willingness to subordinate one's personal interests to those of the class or the community. Another characteristic trait of the proletarian mind, in so far as it identifies itself with Communist philosophy, is its faith in the creative power of human intellect and organized society. Science, the machine and disciplined labor, it optimistically believes, will make life worth living, bring man nothing less than paradise upon earth.

It is remarkable that whatever degree of proletarian mentality may be present in Gorky, the industrial worker himself with his joys and sorrows is rarely found as a central figure in Gorky's work. Only twice in his long literary career did Gorky turn to the life of the workers as a subject for detailed description. And in both cases, in the play *Enemies* and the novel *Mother,* works of his early middle period, his characters are not so much individuals as types, drawn with understanding and at times infectious sympathy, yet lacking in vividness and intimate penetration. The truth is that Gorky has never known Russian industrial workers as intimately as he has known his outcasts, his petty craftsmen, and the various sections of the Russian middle classes all the way up to the resplendent millionaires.

In the eyes of some dogmatic Soviet critics this fact, coupled with Gorky's "non-proletarian" upbringing (his early life was spent among the poorer citizenry of a provincial town), is tàken to be sufficient ground for refusing him recognition as a proletarian writer. Such criticism, however, cannot be taken seriously. To be consistent it should apply the term "proletarian" only to the *mores* of industrial workers, and deny it to communism as a doctrine of non-proletarian origin. Neither Marx nor Lenin was a worker, and there are many workers—in America, indeed, quite a number of them—whose outlook upon life is not distinguishable from that of any "bourgeois."

If Gorky's proletarianism is not linked with the *mores* of industrial workers, he undoubtedly shares their class-conscious outlook upon life. It is in the broader generalizations of this outlook, such as the emotional and intellectual attitude toward conditions of life under capitalism, toward the revolutionary mission of the working class, and toward the building of a new life based on organized social effort, that Gorky voices ideas and sentiments which are precisely those inspiring the working class of Soviet Russia.

As a critic of pre-revolutionary Russia, Gorky began with an idealization, highly romantic in its source, of the class of people whose very life was a denial of the consecrated norms of social existence. His tramps, thieves and prostitutes were rebels against society and the world. They were masters of their own life, and in their pride, their daring, their love of freedom and their contempt for the weak they appeared, or were made to appear by their author, as almost a species of supermen. With the stories of this

early period, which breathe the spirit of revolt and at times actually preach revolt, for example, *The Song of the Stormy Petrel,* Gorky sounded a call to arms that echoed throughout Russia then just beginning to awaken from enforced apathy and stagnation.

Widening his field of criticism Gorky turned his interpretative powers to the delineation of other classes. There followed a series of works, to which new ones are constantly being added, painting the life of the workers and especially of the middle classes and showing with rare power of observation and imaginative sympathy the incredible savagery, squalor and degradation that made up the life of the common folk in the smaller cities, the lack of fiber, the helplessness and futility of the intelligentsia, the reckless egotism and inevitable downfall of successful upstarts. *Okurov Town, Childhood, In the World* and *The Life of Clim Samghin,* are the chief examples of this criticism of old Russia.

And yet, scattered through most of Gorky's work, one continually encounters lovingly drawn portraits of workers (frequently without industrial qualifications) that leave no doubt about the kind of people in whom he placed his faith in the future. There are no fireworks, no romantic embellishments about these people, but only quiet confidence in their own powers and their supremely practical attitude to whatever may be their immediate task. Some of these people are shown as active revolutionists, others as wholly engaged in their everyday work, but to Gorky they are the force that is able to build a new Russia and to them he addresses his passionate plea for a wise use of their powers so that beauty and reason may come to rule human life.

In one of his earliest poems he has his legendary hero, Vasska Buslaiev, address this speech to the Lord:

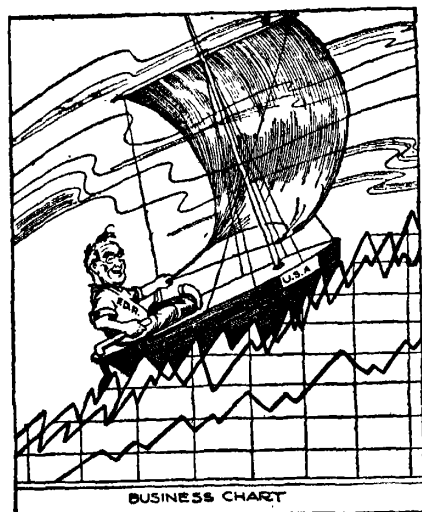
> Look thou, Lord, what the earth is like—
> What a beauty Vasska has made of her.
> Thou flung her like a barren stone into
> the sky.
> I have turned her into a precious emerald.
> Look thou, Lord, and take joy,
> See how green she burns in the sun.
> I'd fain give her to thee as my gift,
> But I can't—she is too dear to myself.

In this faith in the creative power of human effort Gorky stands almost alone among the pre-revolutionary writers in Russia. In its flights of idealism the Russian intelligentsia has always regarded the creature comforts of everyday life with a certain amount of haughty contempt. That sort of thing was Philistinism, smugness. In his recollections of Leonid Andreiev Gorky quotes this typical Russian intellectual as once saying to him: "Isn't our Russia amazing? 'Why, we haven't yet solved the question of the existence of God, and you are calling us to dinner.' It was not only Belinsky who said that. The whole of Russia is saying that to Europe, for in the last analysis Europe only calls us to dinner, to a hearty meal—and nothing more."

Gorky, too, calls his countrymen to dinner, but he believes that dining, along with other demands of the flesh, is the proper occasion to feast the soul. He believes in beautiful homes and gardens, as well as fine books and works of art. He believes in the joy of making things. "We must remember," he once retorted to the same Andreiev, "that every created object is the embodiment of human spirit, and often its inner value is superior to that of the man." In Soviet Russia they seem to have made this message a part of their daily creed, and this is why they are doubtless justified in acclaiming Gorky as the finest representative of their proletarian literature.

Current History in Cartoons

What good will it do to get rid of the wolf at the door if we destroy our house?
—*Chicago Tribune*

Believe it or not
—*St. Louis Post-Dispatch*

Vacation fun
—*Detroit News*

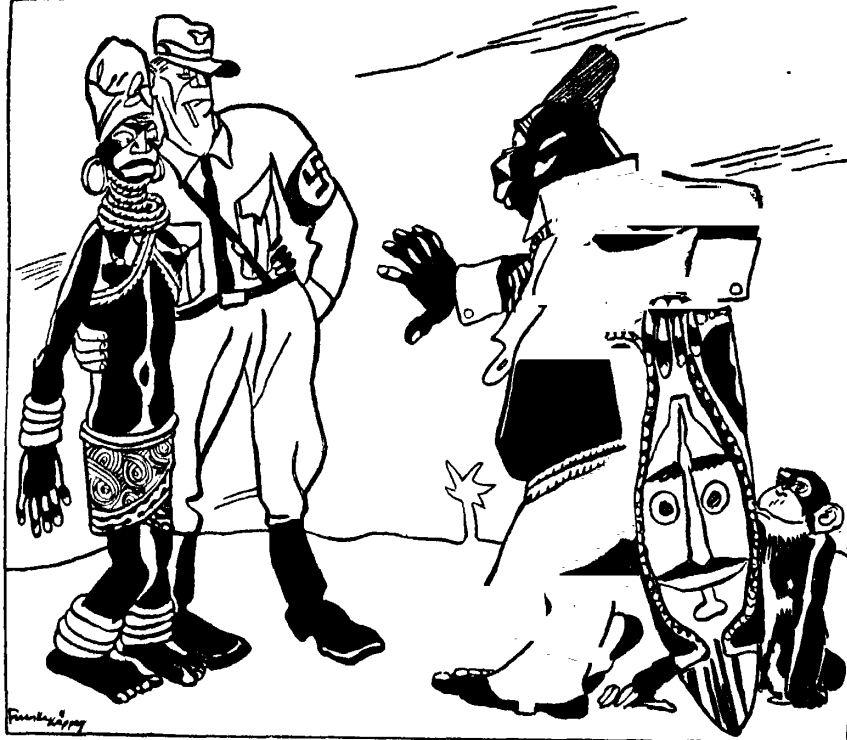
Somebody deserves a medal
—*Detroit News*

Easy to get in, but how about getting out?
—*New York American*

Up popped the devil
—*Cleveland Press*

"Gentlemen will please remove their hats"
—*Philadelphia Inquirer*

Conference to decide whether every one shall pull together
—*Evening Standard*, London

The Conference Confidence Men—"Be advised by us—try a brick!"
—*Daily Herald*, London

Kaffir Girl "Dad, here is my fiancé"
Father—"Nothing doing—we must keep the race pure"
—*De Notenkraker*, Amsterdam

Strong man, huh?
—*Chicago Daily News*

" 'Raus!"
—*Baltimore Sun*

A Month's World History

The World Economic Conference

THE World Monetary and Economic Conference, attended by 168 dele-;ates from sixty-six nations, was)pened in London on June 12. Despite :he preliminary conversations be-:ween the leading statesmen of the vorld the debates and negotiations of :he first three weeks indicated that .he foundations of the conference had ıot been well laid.

Though not listed on the agenda, :he irrepressible question of the war lebts immediately threatened to cre-ıte discord. With the United States Congress still in session, neither Pres-dent Roosevelt nor his delegation in London desired this problem to be nentioned. Nevertheless, Prime Minis-.er MacDonald in his opening speech ıt the conference, while disclaiming .he possibility of settling this matter ıt the conference itself, declared that t "must be dealt with before every ›bstacle to general recovery has been 'emoved, and it must be taken up vithout delay by the nations con-:erned."

The following day, June 13, the 3ritish Government announced a pay-nent to the United States of $10,000,-)00 "as an acknowledgment of the lebt, pending a final settlement." The 'ull amount of the instalment due was ;75,950,000. In a statement on June l4, President Roosevelt suggested the)ostponement of formal British repre-ıentations on the subject of the debt ıo as to allow the conference to de-velop its work and, in taking note that the British Government had made a clear acknowledgment of the debt it-self, said that he did not characterize the resultant situation as a default.

Including that of Great Britain, payments amounting to only 8 per cent of the total $143,604,856 due on June 15 were received by the United States Government. Following the British example Italy paid $1,000,000 on account of $13,545,000; Czecho-slovakia $180,000 instead of $1,500,-000; Rumania $29,100 instead of $1,000,000; Latvia $6,000 instead of $119,609; Lithuania $10,000 instead of $132,191. These countries were able to lessen the burden of their "token" payments through President Roose-velt's willingness to accept silver, Great Britain, for instance, saving about $2,800,000.

The conference actually began be-fore the official opening. During the preceding week delegates from the United States, Canada, Australia and Argentina met in London to discuss the overproduction of wheat and the possibilities of curbing its production in order to raise its price. The imme-diate problem was the disposition of a 400,000,000 bushel surplus. Although the four countries mentioned produce 90 per cent of the world's wheat, other nations were no less interested in this and other agricultural commodities. Poland, Rumania, Yugoslavia, Czecho-slovakia, Hungary, Bulgaria, Latvia, Estonia, Greece and Turkey agreed at Bucharest on June 6 to act as a unit

in presenting their program in London. They adopted a resolution declaring that the agrarian States of Europe could not reduce their production but that America should take the lead.

The agenda paper of the conference itself contained six main divisions: (1) Monetary and credit policy; (2) prices; (3) resumption of the movement of capital; (4) restrictions on international trade; (5) tariff and treaty policy; (6) organization of production and trade. In such a broad field the possibilities of accomplishment as well as of controversy were great. During the first three weeks of the conference the prophecies of the pessimists alone were substantiated. Only a week after the conference opened there were loud voices crying for its adjournment.

The arrival in London of most of the American delegates on June 8 aroused great interest in the American standpoint in regard to economic nationalism. Secretary Hull immediately stated that he would press for an all-around lowering of the tariff barriers as a vital necessity to the resumption of trade. At the same time American, British and French financial experts took part in important preliminary discussions of the currency question, and it was this complex problem that overshadowed the deliberations of the conference throughout the remaining days of June and produced the crisis that President Roosevelt's message of July 3 brought to a head.

When the conference opened, no progress had been made on the question of stabilization of the pound and the dollar. Although the currency conversations were carried on in great secrecy, George L. Harrison, governor of the Federal Reserve Bank of New York, Professor O. M. W. Sprague and James Warburg, the American experts, were understood not to have opposed stabilization of the dollar in principle. But in practice they did. They opposed any agreement which might interfere with the rise in commodity prices in the United States. Since the British believed the pound to be as stable as it could be without returning to gold, they insisted that the dollar be at least temporarily stabilized. The French, as a gold country, declared that the United States must end the period of fluctuations. In their opinion, instability of the dollar and pound made any attempts to reach tariff agreements superfluous and impossible. On June 12, the opening day of the conference, the dollar declined to a new low level and after wild fluctuation closed at $4.18 in terms of the pound sterling.

In his opening speech as chairman of the conference, Prime Minister MacDonald did not go beyond generalizations. In his customary evangelical manner, he pleaded for the success of the deliberations. Next morning (June 13) Secretary Hull, who was to have spoken for the United States, postponed his speech. Rumors spread immediately that the American delegation was delaying until Great Britain came to a decision on war debts, while Secretary Hull was waiting for the American Congress to adjourn. Whatever the reason, Mr. Hull addressed the conference on June 14 after the British Chancellor of the Exchequer had made a cold survey of the world depression.

In contrast with Mr. Chamberlain's view that the chief troubles in the world were war debts and low prices, Mr. Hull indicted economic nationalism and high tariff walls. According to the unemotional British Chancellor of the Exchequer, wholesale prices had to be increased and brought into equilibrium with costs. To attain this

end, it would be necessary for central banks to furnish cheap credit. He expressed the willingness of the British Government to consider a program of public works. Regarding currency stabilization, Mr. Chamberlain stated that the immediate objective of the conference should be to secure approximate stability between the currencies of the principal countries in order to check violent fluctuations. The second stage of monetary policy would be the "restoration of a satisfactory international standard, and there is no doubt the gold standard seems to be generally acceptable." But in British opinion there could be no return to gold until wholesale prices had risen, war debts had been removed and excessive tariff barriers lowered. Mr. Chamberlain also suggested that gold be used only for the settlement of international balances, that legal reserve minimums be reduced and that the central banks cooperate permanently. Finally, he proposed that the conference investigate the possibility of creditor countries resuming loans to debtor nations.

Mr. Hull was not so specific and spoke more in the MacDonald manner. In line with his well-known ethical advocacy of international trade, he declared that if any nation wrecked the conference "that country will merit the execration of mankind." Foreign reaction to the Secretary of State's speech was not favorable, for he had not made any practical suggestion for the alleviation of the economic distress.

On June 15 the conference settled down to a more specific discussion of the issues before it. An Economic Commission, headed by Prime Minister Hendrik Colijn of Holland, was appointed. James M. Cox, vice chairman of the American delegation, was elected president of the Monetary Commission, though France and, to a lesser extent, Great Britain had opposed the selection of an American for this important post. Meanwhile, the governors of the central banks of England, France and the United States, who had been discussing the stabilization of currencies, had provisionally drafted a plan for the establishment of a general equalization account. As a condition for their consent Great Britain and France were said to have asked the United States to promise to suspend for three months the inflation authorized by the act recently passed by Congress.

On the evening of June 15 the conference seemed to have made remarkable progress. Most of the speechmaking had ended, a currency agreement appeared to have been reached, and President Roosevelt's reaction to the British attitude on the war debt problem indicated that at least temporarily there would be no further difficulties in this direction. But that same evening in Washington Secretary Woodin stated that reports of currency stabilization agreements reached in London were unfounded, and that "any agreement on this subject will be reached in Washington, not elsewhere." Administration officials in Washington insisted that the raising of prices was more important and that stabilization of the dollar at a definite level might hamper the government's recovery projects.

The differences between the representatives of foreign countries in London and the leaders of American policy in Washington now seemed to be as wide as the Atlantic itself. The London reports of a temporary dollar stabilization agreement were construed in Wall Street as marking the interruption of the government's cur-

rency inflation policy and brought a sharp rise in the dollar and a drop in commodity and stock prices. The pound sterling fell 8½ cents to $4.02. The decline on the New York Stock Exchange was the most severe since Oct. 5, 1932.

Two days later, on June 17, President Roosevelt rejected the proposal to peg moneys despite the fact that he had called for stabilization in his message of May 16. In Washington it was made clear that the United States did not propose to enter into any temporary or permanent agreement which would again give foreign countries the economic advantage of deflated currencies at a time when prices were beginning to rise in this country. Although there was general approval of the President's attitude in the United States, foreign countries interpreted the American coolness toward currency stabilization as evidence of the incompatibility of the President's domestic program and his desire for international cooperation. Almost at the same moment, Premier Daladier issued a warning in Paris that France regarded currency stabilization as a prerequisite to tariff reduction and to any progress in the economic field. It was, therefore, not only in regard to war debts but also on the question of currency stabilization that the United States and France openly disagreed.

In response to the appeal by President Colijn of the economic commission to all delegations to suggest topics of discussion, the United States on June 17 moved to put four points on the agenda of the commission: (1) A multilateral reduction of trade barriers by a 10 per cent horizontal cut of import duties and a liberalizing of other import restrictions; (2) extension of the tariff truce beyond the conference; (3) encouragement of bilateral tariff reductions based on the most-favored-nation principle; (4) clearing and compensation agreements lifting restrictions on the movement of foreign exchange. These suggestions apparently reflected the ideas of Secretary Hull, but twenty-four hours later, Senator Key Pittman issued a statement that the suggestions came, not from the American delegation, but from its expert advisers. In London, Senator Pittman's statement was received as a manifestation of Senatorial unwillingness to assume responsibility for any commitment to lower tariffs.

By this time, only a week after the convening of the conference, the delegates from other countries were thoroughly perplexed as to the American attitude. On the currency question it had seemed that the governors of the three major central banks would reach an agreement and then it had become known that the proposed scheme was unacceptable to President Roosevelt. On the tariff question a definite lack of unity among the American delegates had also been revealed. Although no one doubted the personal sincerity of Secretary Hull's views, there was a suspicion that he was not speaking with authority.

With the opening of the second week of the conference on June 19, Senator Key Pittman made an excursion into the domain of silver by offering a resolution proposing that 80 per cent of the metal backing of currencies be in gold and 20 per cent in gold or silver. He also suggested that a 25 per cent metal coverage would be more satisfactory than the present reserve requirements. This question, however, did not attract the attention of the whole conference

which preferred to continue with the question of stabilization and price-level problems. Once again foreign voices were heard proclaiming the desirability of an adjournment until the United States had decided on what course to pursue.

The gold bloc countries, under the leadership of France, now prepared to bring the currency issue to a head. Spokesmen of the bloc, including Georges Bonnet, indicated that they might advocate the adjournment of the conference pending solution of the stabilization quarrel. Washington answered this threat by urging that delay in stabilization should not necessarily halt discussion of other problems and made it clear that any recess of the parley was to be deplored.

In the midst of the criticism aimed at the United States there were a few acute observers of international relations in London who believed that Great Britain and France were overemphasizing the importance of the stabilization question. They saw the main difficulty of the conference in the tariff problem and thought that the President would hold the sword of inflation over the heads of those countries which might oppose an agreement on tariff questions.

For the first time since the opening of the conference, the American delegation made on June 22 what appeared to be two unequivocal statements on the questions of monetary stabilization and trade barriers. In regard to the former, the delegation said that undue emphasis had been placed on measures for temporary *de facto* stabilization and that the United States found the proposed measures in this matter "untimely." The resolution on trade restrictions, introduced by Secretary Hull by "authority of the delegation and on instructions from the United States Government," called for a rapid and complete removal of embargoes and quotas and the negotiation of bilateral or multilateral agreements to reduce tariffs. The opinion was becoming stronger in Administration circles that the dollar would find its proper level after the President's program had been in operation some months, and that until then the United States would not be justified in entering into a stabilization agreement.

The first two weeks of the conference, nevertheless, established the fact that the monetary policy of all nations depended upon the value of the American dollar. Without at least some form of stabilization of the dollar no country was willing to go forward with the work of the conference. On June 27 attacks on the Dutch guilder intensified the anxieties of Holland, France, Switzerland, Italy and Belgium, who conferred on measures to defend the gold standard against American dollar depreciation. Great Britain, however, refused to aid them by attempting to peg the pound. While the American dollar continued to spiral downward the French press continued to clamor for the adjournment of the "farce" in London.

The five chief gold-standard countries on June 28 initiated a move to induce Great Britain to participate with them in a joint public declaration that the pound would remain pegged to gold at least during the period of the conference. On June 29 the fluctuations of the dollar led to another grave crisis for the conference. In London the pound was up to $4.41½ in the morning, dropped to $4.24 and then rose again to $4.29½. French fears as to the future of the dollar led to estimates that the franc would be able to adhere to the gold standard

for only another six months. The situation had become so grave that the gold bloc and Great Britain sent an appeal through Professor Moley to President Roosevelt to join in a proposed declaration that would halt speculation in dollars. The declaration was to the effect that the seven countries favored the gold standard and a return to it as soon as possible, and that each country should assist the others in preventing purely speculative movements.

President Roosevelt, dramatically projecting himself, for the second time within two months, into the international scene, emphatically rejected the proposal of the gold bloc on July 3. In words which were unparalleled in modern diplomacy the American President told the world that he "would regard it as a catastrophe amounting to a world tragedy if the great conference of the nations * * * should * * * allow itself to be diverted by the proposal of a purely artificial and temporary experiment affecting the monetary exchange of a few nations only." He added that the United States sought a dollar which a generation hence would have the same purchasing power and debt-paying power as the dollar value "we hope to attain in the near future." In London the first reaction to the President's provocative message was perplexity and anger. The gold-bloc countries, however, immediately declared that they would maintain the gold standard.

The conference had thus within three weeks reached a crisis which appeared to be insurmountable. The United States would not stabilize its currency until a sufficient rise in prices had been achieved. The gold bloc countries would not follow the United States in its policy of devaluation and inflation. And Great Britain remained undecided between the two. The currency problem had relegated all other issues to an unimportant place. Tariff discussions came to a standstill. Even in regard to the limitation of wheat production, Australia, Canada, the United States and Argentina had found it impossible to agree upon reduction of output. Secretary of Agriculture Wallace on June 21 stated that it was "conceivable that the United States might resort to dumping" its exportable wheat if the London Conference failed to bring about an agreement.

THE ARMS CONFERENCE

After a month in which it had played the leading rôle, the disarmament conference in June gradually found itself faced with the necessity of suspending its deliberations. On June 6 the French Government "confirmed the instructions previously given to the French representatives at the disarmament conference." This indicated that France intended to maintain her old position. At the same time in Geneva, Norman H. Davis, leader of the American delegation to the disarmament conference, took the strongest stand for the effective control of public and private manufacture of arms that the United States had demanded in fourteen years. Two days later in Paris, representatives of the United States, France and Great Britain met and decided to continue their conversations during the pause in the disarmament conference in an effort to eliminate the problems which had obstructed decisions in Geneva.

The general commission in Geneva on June 29 decided to adjourn the conference until Oct. 16. In the meantime, President Henderson stated that he would attempt to end the deadlocks by private talks.

The Recovery Administration

By E. FRANCIS BROWN

WHEN the special session of the American Congress adjourned on June 16, the Roosevelt administration had won a notable political victory. Whether it could follow up this victory with a rout of the forces of economic depression then became the important question. In American history a special session of Congress has often been a factor in ruining an administration. Too often a President, unable to control his Congress, has watched that body wreck his program. But the experience of the Roosevelt government has been more than happy. Its program has been forced through Congress, despite the many measures that could excite every kind of prejudice. Moreover, the prestige of the administration and its popular support were so great that whatever Congressional opposition might have existed was overcome even without resort to patronage as bribery for votes. The test of the Roosevelt administration, however, will be found in the proved efficacy of the measures enacted by the Congress, and not in their merely having been enacted.

But the final adjournment of Congress did not come without a struggle. On June 2 the Senate passed the Independent Offices Bill with appropriations which reduced by more than $170,000,000 the economies in veterans' benefits proposed by the administration. Immediately the President and his advisers protested, demanding that, if the reductions were not restored, taxes adequate to meet the added expenses be provided. Moreover, Mr. Roosevelt expressed his willingness to stay in Washington all Summer if necessary in order to insure a balanced budget. White House conferences between Congressional leaders and the administration brought about an eventual compromise which accepted some reduction in the savings desired by the President but which would still greatly curtail the benefits previously bestowed on war veterans. This victory followed the Senate's insistence upon an amendment which would have cost the economy program from $100,000,000 to $160,000,000. A Presidential veto and appeal to the country appeared inevitable when the House surprised many observers by rejecting the Senate's amendment. At last, on June 15, the Senate receded from its recalcitrant stand and the Independent Offices Bill was passed.

The battle had been largely political in nature. Members of Congress, under the pressure of the veterans' lobbyists and the fear of their ultimate fate in Congressional elections, had hesitated to curtail the privileges so long enjoyed by the veterans. Republican members of the House and Senate saw an opportunity to reunite their broken ranks on an issue that might eventually bring them votes. Perhaps more than economy was involved in this struggle. The President had not hesitated to make clear that he was ready to do justice to any veteran who had incurred injury or disease while in the service of the nation; only those receiving compensation for non-service connected disabilities were

to be affected by the administration's program. From the point of view of justice such a stand, even if not definitely formulated, seemed to have much to recommend it, and it was certainly popular with the majority of the people.

Three days before Congress adjourned the National Industrial Recovery Bill was passed by the Senate and sent to the President for his signature. In its final shape it differed little from the original form in which it was introduced by the administration on May 17. (See July CURRENT HISTORY, page 461.) To meet the cost of the financing of the $3,300,000,000 public works program incorporated in the bill, the Senate levied taxes on the net worth, earnings and dividends of corporations. The existing gasoline tax was increased by one half cent and the rates on consolidated income tax returns were raised by 1 per cent. These supplanted the higher normal income tax rates which had previously been adopted by the House. An amendment to the bill provides for publicity of income tax returns under regulations to be drawn up by the President.

This bill, which would revolutionize the organization of American industry, was signed by President Roosevelt on June 16. "History," he said, "probably will record the National Industrial Recovery Act as the most important and far-reaching legislation ever enacted by the American Congress. It represents a supreme effort to stabilize for all time the many factors which make for the prosperity of the nation and the preservation of the American standard of living."

That same day the President signed other bills which had been passed during the last days of the special session. Among them was the controversial Glass-Steagall banking law which had long been pending and which at one time had seemed destined for a veto. (See July CURRENT HISTORY, page 463.) The proposal for insurance of bank deposits had been opposed by the administration and by conservative banking groups; yet it was finally accepted as unavoidable. Opponents of that provision, however, were able to postpone the establishment of an insurance fund until Jan. 1, 1934, defeating those who desired immediate action. Despite his coolness toward the bill during its progress through Congress, the President was reported to have described the new statute as "the second most important banking legislation enacted in the history of the country." Whatever its faults may be, the new law does direct American banking toward the unified system which has long been advocated in many circles. The Home Owners' Loan Bill, the Independent Offices Bill, the Deficiency Bill, a bill for continuing certain special taxes, and a bill to centralize farm credit extensions were likewise made law in these closing hours of the first period of the Roosevelt era.

Before leaving the capital for a cruise along the New England coast, the President issued executive orders to carry into effect the provisions of the National Industrial Recovery Act. The actual administrator of the act is General Hugh S. Johnson, but he is under the supervision of the Industrial Recovery Board, composed of the Secretary of Commerce, the Attorney General, the Secretary of the Interior, the Director of the Budget and the chairman of the Federal Trade Commission. The administrator is also a member of this board. In addition, the administration of the act will be aided by an Industrial Advisory Board and a Labor Advisory Board composed of

leaders in their respective fields of activity. Colonel Donald H. Sawyer was appointed Federal Emergency Administrator of Public Works. His work is subject to the approval of a Board of Public Works consisting of the Secretary of the Interior, the Secretary of War, the Attorney General, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Director of the Budget, Colonel George R. Spaulding and Assistant Secretary of the Treasury Robert.

How much or how little will be accomplished under the provisions of the National Industrial Recovery Act may be known by Fall if General Johnson is successful in putting the act into immediate operation. That some disappointment arose from the first announcements of the men to be concerned with the carrying out of the law cannot be denied. To many it seemed as if great industrialists would dominate policy and that the aspirations voiced during the debate on the bill would never be realized. Perhaps the answer to this criticism was to be found in the personnel of the supervisory boards. Certainly Washington gossip maintained that Secretary Roper and Secretary Ickes would restrain the industrialists from using the law for their own ends. But here, as in so much of the Roosevelt program, the proof of the pudding must be in the eating.

In any event, the Industrial Recovery Administration urged immediate agreement in the various trades upon codes of fair competition and threatened to use compulsion if they did not act on their own accord. With that in mind, General Johnson on June 20 issued a bulletin on "basic codes" outlining to industry the nature of the agreements that must be submitted. The previous day the cotton industry had presented the code upon which its members had agreed; many other, though less basic, trades were trying to work out codes for operation. In each instance public hearings will precede final approval by the Federal agencies. Meanwhile, in many minds there was doubt about the new law. Business men feared that labor might become too strong; old-fashioned liberals saw the doom of the small capitalist; conservatives wondered if the end of the traditional American business liberties were not at hand.

The public works program likewise moved ahead as soon as the Recovery Act became law. At least $100,000,000 will be expended in Treasury-Post-office building and $247,000,000 is to be used to construct naval vessels and airplanes. For highways in the States and Territories $400,000,000 has been allotted. Another $100,000,000 will go for non-Federal self-liquidating projects. Further plans for carrying out this phase of stimulating industry and reducing unemployment were under consideration but had not yet been made public.

The administration's bill for coordinating the railroads finally passed Congress on June 9 after it had become known that Joseph B. Eastman of the Interstate Commerce Commission would be appointed Federal Coordinator of Transportation. The law protected railway workers against the loss of employment that might result from the economies expected through coordination. Mr. Eastman, who for years has been an advocate of enlightened railway management, had aided in the drafting of the railway law. One of the first problems confronting the new coordinator was the demand of the railroad executives for a 12½ per cent reduction in the pre-

vailing rate of pay to union employes. At a meeting on June 20 of the representatives of management and labor, Mr. Eastman declared that the Roosevelt administration did not believe the time was propitious for further pay reductions. With that in view, an agreement was negotiated postponing the issue for eight months. Meanwhile, the preliminary work of coordination proceeded.

The administration's farm policy likewise has begun to be effective. On June 14 it became known that processing taxes would be levied on wheat and cotton in order to reduce the acreage of these crops and to raise prices. Unfavorable weather conditions and a plague of grasshoppers already were reducing the wheat crop prospects, while the threat of inflation gave a further impetus to higher quotations in the wheat pit until dollar wheat again became a reality. Secretary Wallace had announced on June 16 that a processing tax of about 30 cents would be levied against milling soon after July 1. Under Secretary Wallace's plan for a processing tax no farmer would be eligible to participate in the proceeds unless he had agreed to reduce his acreage in 1934 by 20 per cent.

The Secretary of Agriculture a few days later approved a processing tax on cotton spinning, the exact amount to be determined later. Conceivably the price of cotton might advance to a point where the processing tax would not be applied, since the aim is to secure a farm price for cotton of 12.4 cents a pound, the average from August, 1909, to July, 1914. The proceeds of the tax would be disbursed in the form of land rentals in an attempt to reduce cotton planting by at least 10,000,000 acres. Growers would be presented with a combined land-leasing and option plan, but those not desiring to take options on government-owned cotton would receive higher rental payments. As the Secretary of Agriculture is anxious that the plan go into immediate operation, about 25 per cent of the 1933 cotton crop would be destroyed.

The Farm Credit Administration, of which Henry Morgenthau Jr. is governor, has been at work extending loans to farmers and seeking to secure relief for farm mortgagors. Closely allied to the latter task is the reopening of those closed banks which at present are burdened with frozen farm mortgages. As early as June 11 the Farm Credit Administration had advanced more than $136,000,000 to farmers; a few days later its mortgage relief program was under way in Wisconsin.

One of the administration's important measures for unemployment relief is the Civilian Conservation Corps, which by June 10 had enrolled 250,000 unemployed men; 275,000 had been mobilized in the army on July 1. One of the great tasks, after actual establishment of the camps for the corps, has been the moving of these men from one part of the country to another. Never, except possibly in war time, has there been such a large-scale movement of men, mostly from the Eastern seaboard to the Far West. Robert Fechner, director of emergency conservation work, estimated on June 17 that directly and indirectly more than 1,000,000 persons had been aided by the work of the Conservation Corps. Moreover, the relief burden of many cities had been greatly lightened.

But the work of the Conservation Corps must not be regarded wholly as a measure of unemployment relief. The establishment of this corps has made possible the setting up of Fed-

eral reforestation activities such as conservationists have advocated for years. The government already has bought between 6,000,000 and 8,000,000 acres of timber land in the East and South where reforestation projects will be carried out. Thus, under the guise of unemployment relief, a national system of conservation is being inaugurated—a system which includes reforestation, flood control, protection against soil erosion and so on. Like many another measure of the Roosevelt administration, it will, despite its supposedly temporary nature, probably be permanent.

The reorganization of government services in the interest of economy occupied the attention of departmental heads during June. The President submitted to Congress on June 10 executive orders reorganizing certain government functions. These orders, covering consolidations, regroupings, abolition of some bureaus and curtailment of the work of others, embodied the results of the studies of government machinery made up to that time. Because the executive orders arrived so late in the session there was a disposition in the Senate to withhold approval. In the end neither house took any action and, since such orders become effective within sixty days unless Congress disapproves, the plans for reorganization contained therein will go into effect. If it had not been for the Congressional revolt in regard to veterans' benefits it seems probable that the administration would have reached its goal of a $1,000,000,000 reduction in Federal expenses. Even so, the savings will be tremendous, involving as they will the curtailment of many services which the government had been extending. Indicative of the changes is the restricted activity of the foreign service of the Department of Commerce, a function brought to a high state of development when Mr. Hoover was Secretary of Commerce. Economies, increased taxes and new sources of revenue have already reduced the deficit for 1932-1933 by about $1,000,000,000, and the Director of the Budget is still confident that the budget for ordinary expenses will be in balance for the next fiscal year.

As the Roosevelt program was rounded out the business recovery that had been in progress since April continued. There were certain disquieting elements in the recovery, not least the fear of inflation that was causing investment in commodities of all sorts; here would be an explanation for improved prices. Yet bond quotations did not fall, as might be expected during a time of impending inflation. Economists are not agreed as to whether artificial stimulation of business through inflationary measures can be effective. In any case, indices of all sorts reflected the changed conditions. *The New York Times* index of general business activity rose from 79 for the week ended May 27 to 93.8 for the week ended June 24. The index of wholesale commodity prices prepared by *The Annalist* showed similar improvement, rising from 92.1 for the week ended May 29 to 97.8 for the week ended June 27. Employment has turned upward, even if not in any wholesale fashion. Secretary Perkins reported that employment increased 4.8 per cent in May and payrolls 11.5 per cent. Higher wage scales in many manufacturing plants aided in improving the position of labor, though rising prices promised soon to counteract the effect. Imports during May increased by $18,588,000—the largest for any single month since March, 1931. May exports amounted to $8,781,000 more than in

April. Stocks advanced during the month and held major gains despite minor recessions. The volume of trading in June on the New York Stock Exchange was the largest on record for that month.

The banking situation appears to be improved since on June 19 Louis M. Howe, secretary to the President, was able to announce that 90 per cent of banking deposits had been freed from all restrictions. On that date 1,005 banks with deposits of about $1,134,000,000 were still closed. Bank clearings, indicative of the better business outlook, were 6.3 per cent higher for the week ended June 14 than in the same week a year ago. Currency in circulation for the same week fell $44,000,000.

Better business and higher prices have further stimulated the spirit of hope that has prevailed ever since the Roosevelt administration took office. Much of this hope may not be justified; yet it does exist. Few men and women outside official circles understand what the government is trying to do; few dare guess where it is leading the nation; but across the forty-eight States there is, in the midst of this lack of understanding, confidence in the ability of Mr. Roosevelt and his advisers to find the way out. And it is confidence of the kind that in most instances has become enthusiastic support for the Democratic administration, support given without reserve by old-guard Democrats and formerly loyal Republicans. However temporary, it can be safely asserted that never in modern times has an American President enjoyed the prestige and popularity of Franklin D. Roosevelt as his administration completes its first four months.

Despite minor revolts, the President retained command of his party majority during the special session. Much of this was the result of his personal prestige; part sprang undoubtedly from the slowness with which the patronage was dispensed. However irritating it might be for members of Congress not to be able to bestow offices in their respective constitutencies, they felt it to be necessary to support the Executive lest this patronage be withheld permanently. Although 1,256 nominations had on June 16 been sent to the Senate by the President, not a single postmaster was included among them. Small wonder that, with these traditional spoils of office omitted from the new deal, Democratic House members organized a special committee to obtain jobs for deserving Democrats. Meanwhile, the pressure for positions with the new governmental agencies was so great as to hamper the work of some of the departments.

The diplomatic appointments have been made gradually. On June 10, William E. Dodd, Professor of American History in the University of Chicago, was nominated to be Ambassador to Germany. John Francis Cudahy of Milwaukee has been made Ambassador to Poland and Lincoln MacVeagh of Connecticut is to be Minister to Greece. Robert P. Skinner, at present Minister to Finland, has been appointed Ambassador to Turkey. Among the other diplomatic posts filled are: Robert G. Caldwell of Texas, Minister to Portugal; Francis White of Maryland, Minister to Czechoslovakia, and John Flournoy Montgomery of Washington, Minister to Hungary.

While many amazing things have happened in America since March 4, one of the most surprising—if viewed from the point of view of even a year ago—has been the sentiment for repeal of the Eighteenth Amendment as

expressed in the successive State elections for conventions to act upon repeal. Not so long ago sage publicists predicted that repeal would never be possible. At the end of June it began to look as if by the end of 1933 the Eighteenth Amendment would be only a memory. During June the total number of States favoring repeal rose to sixteen as Nevada, Massachusetts, New Hampshire, Connecticut, Iowa, West Virginia and California joined Wyoming, Illinois, Indiana, New York, New Jersey, Michigan, Rhode Island, Delaware and Wisconsin in what promises to be an overwhelming victory for the wets. Even in rural areas, the voting on repeal has shown, the strength of the drys has been broken and, in the face of protests from church conferences, church members are voting against the once-sanctified prohibition amendment.

The investigation by the Senate Banking and Finance Committee into banking, financing and securities sales practices continued during June, but none of the disclosures were such as to excite a public apathetic before the technical discussion of high finance. The methods by which the Van Sweringen brothers built up their railroad system were revealed as well as their methods of evading income tax payments. But however interesting as a picture of financial practice, the testimony caused no sensation. Investigation of the affairs of Kuhn, Loeb & Co. began on June 26, the Senate committee having been in recess since June 9 when the Morgan phase of the banking inquiry temporarily ended.

The Federal prosecution of Charles E. Mitchell, former president of the National City Bank, on charges of defrauding the government of income taxes due in 1929 and 1930 came to an end on June 22 when the jury acquitted him. During the many weeks of the trial the financial affairs of the former bank president were ruthlessly exposed in an attempt to prove that his sales of securities to his wife and to a friend had been, as the prosecutor charged, "a terrific hoax." While the prosecution failed to win its case, the public did not recover from its disillusionment as to the conduct of banking leaders. Possibly the Mitchell verdict will affect the apparent determination of the government to investigate the income tax returns of important financial figures.

Governor General Murphy arrived on June 15 in the Philippine Islands to take over his new duties. In an interview soon after he was welcomed in the city of Manila he promised to give the islands a business government while waging "relentless and unceasing war on human exploitation, on ignorance, on disease, on dishonesty and on injustice in any form." It was significant, also, that Mr. Murphy declared that he would not try to influence the decision of the Filipinos in regard to independence. Meanwhile, the campaign preceding the plebiscite on the Hawes-Cutting independence act has begun.

Cuban Peace Prospects

By CHARLES W. HACKETT
Professor of Latin-American History, University of Texas

PROSPECTS for a definite solution of Cuba's stormy political problems brightened perceptibly during June. On June 7 President Machado issued a statement in which he set forth detailed plans for constitutional reform. In brief, his proposals include the restoration by a constitutional amendment of the office of Vice President and the selection of an acceptable neutral for that position, the adoption of a new and more liberal electoral code and guarantees for the reorganization of existing political groups and the formation of new ones.

Eclipsing in interest and importance President Machado's gesture of conciliation to his enemies was the acceptance on June 15 by both the government and the ABC student revolutionary organization—the most active of the opposition groups—of the United States Ambassador, Sumner Welles, as mediator of their differences. This action was interpreted by J. D. Phillips in a dispatch to *The New York Times* as "the first concrete indication to the people of Cuba that the United States will bring order out of the chaotic condition which has torn the island asunder during the past four years and has brought excessive bloodshed and economic ruin with it." The following day, however, State Department officials in Washington announced that whatever efforts Ambassador Welles might make in Cuba to reconcile the embattled political factions he would act in his personal capacity and not as an official United States mediator.

Professors of Havana University, which has long been among President Machado's most vigorous opponents, elected a committee on June 17 to represent them before Ambassador Welles. Twenty-two delegates from the university's eleven schools selected Dr. Ricardo Gómez Murillo, rector of the university, and the deans of the three faculties to draft a memorandum setting forth the events affecting the university since it was closed in 1930. On June 20 the professors who were favorable to Ambassador Welles's mediation in Cuban political affairs were reported to have required their recalcitrant delegates in the United States either to cooperate with them or disband. Dr. Carlos de la Torre, representative of the professors in the Cuban revolutionary junta in New York; Dr. Ricardo Dolz, former dean of Havana University, and Dr. Grau San Martín, delegate in Havana, were given until 8 o'clock the following day to answer this ultimatum. The New York junta, which was organized over a year ago to cultivate American sentiment in favor of a governmental change in Havana, was virtually dissolved when Dr. Carlos de la Torre announced its adjournment *sine die* with full liberty of action restored to its members. A settlement was brought nearer on June 21 when the Havana professors handed Ambassador Welles a memorandum definitely accepting his mediation. This was the third important

opposition faction to accept Mr. Welles as mediator, the other two being the ABC student revolutionary organization already mentioned and the OCRR, a radical organization, which fell into line on June 17.

Despite these prospects of peace, political violence continued in Cuba during June. Following a heated election argument Representative Oscar Montalvo of Matanzas Province was fatally shot in the Cuban Senate Chamber on June 1 by Mario Cuellar del Río, a brother of a Cuban Senator and private secretary of another Representative. Santa Clara Province, where abortive revolutionary disturbances occurred in the previous month, was the scene of no fewer than seven clashes between Cuban Rural Guards and insurrectionists from June 2 to June 17. In these clashes, according to reports, twenty-four rebels were killed and six captured, while several guardsmen were wounded. A bomb explosion in Matanzas Province on June 4 destroyed a railway bridge and caused a suspension of rail service for forty-eight hours; another bomb which exploded in the business section of Havana on June 17 caused considerable damage to property.

The military censorship of Cuba's newspapers was re-established on June 8, following what was considered by the government to be an overenthusiastic interpretation by the press of President Machado's declaration of June 7 promising political reforms. On the afternoon of June 9 all commercial radio broadcasting stations in Cuba were silenced while government authorities attempted to locate a pirate station, whose announcer claimed that it belonged to the ABC student revolutionary group and which broadcasts propaganda against the Machado régime for an hour every day.

Ten political prisoners were released from Príncipe prison at Havana on June 16. On that date it was reported that the Machado government was holding 90 political prisoners in Príncipe prison, 140 in the Isle of Pines prison and 100 elsewhere. Fifteen additional political prisoners were released on June 20.

MEXICO'S SOCIALIST PLAN

An open espousal of socialism as Mexico's goal, but with the rejection of "radical utopian programs," has been made by General Plutarco Elias Calles, former President of Mexico and now that country's unofficial political dictator. In an interview which was printed in the Mexico City newspapers and which was quoted by Jack Starr-Hunt in the *New York Herald Tribune* of June 17, General Calles outlined to Ezequiel Padilla, a leader of the National Revolutionary party, a six-year plan, coincident with the next Presidential term. The plan aims at rehabilitating the country by completely ending the parceling of land and by "overcoming the broken equation of unemployed men and unemployed national resources."

General Calles was quoted as having made the following statement: "Our national scene is sad for the laboring classes; unemployment, unjust salaries and the most miserable exploitation all call for a policy of economic salvation. Why not face the problem? Men without work; national resources idle. This broken equation should be integrated by the State taking over enterprises directly and socializing and encouraging production without profit for the service of true collective justice. * * * Large scale industry for some time has been trembling from fear. Why should not the State valiantly undertake, without transgressing private interests, the

rôle of promoter with socialistic ends?"

Answering these questions, General Calles continued: "We cannot initiate direct enterprises because of the lack of human material. Such enterprises need more than great technical preparation—they need great moral and administrative preparation, founded on personal unselfishness, probity and the desire to serve the collective interests. We still lack this preparation. We lack the indispensable organization and would fail. For the present we must depend on private initiative, guided and sustained and channeled by the State, stimulating distributive justice and blazing the trail toward the socialistic State."

Referring to cooperative effort throughout the nation, citing the sugar, textile, plantation and vegetable cooperatives, and stressing the necessity for elimination of exorbitant profits, General Calles said: "Fantastic returns of 40 to 100 per cent must pass, like feudalism, into history." In emphasizing the fact that the revolutionary program was really successful in its chief aim, namely, the gradual abolition of the peon, General Calles said that this program could be virtually achieved by means of the six-year plan.

An offer of the Mexican Government to cooperate with legitimate labor movements was coupled with a warning against "absurd radicalism" and "disintegrating theories" in a reply which President Rodríguez gave to a request for cooperation from the International Labor Office in Geneva.

General Manuel Pérez Treviño, former President of the dominant National Revolutionary party, and until recently regarded as the outstanding aspirant for the Presidency, abandoned his candidacy on June 7. This action cleared the way for the nomination of General Lázaro Cárdenas, who resigned as Minister of War on May 15 in order to legalize his candidacy. He was thus left as the only contender for the nomination of his party. On June 10 it was reported that General Cárdenas had accepted the Presidential nomination of the Labor party in its national convention in Mexico City. He issued a denial next day, however, declaring that his brief speech before the Labor convention had been misinterpreted. Yet some believed that he had changed front because of a sudden decision by the leaders of the National Revolutionary party. Colonel Adelberto Tejeda, former Governor of Vera Cruz, after failing to secure the nomination of the Labor party, announced on June 11 that he had formally accepted the platform of the newly formed Radical party in Vera Cruz. The planks in this platform included the nationalization of land, the suspension of the rights of Catholic priests to perform their rites in Mexico, and the removal of all restrictions on immigrants, except natives of Spain.

The long drawn out conflict between the Catholic Church and the State of Vera Cruz has been terminated with a complete victory for the State. The compliance by the church with the restrictive clerical law of Vera Cruz, now two years old, was announced by Bishop Rafael Guizár Valencia of Vera Cruz on June 12. On the basis of this action, however, Bishop Valencia asked Minister of the Interior Vasconcelos for permission to reopen the hundreds of places of worship in Vera Cruz which have been closed since the church refused to recognize the law.

The resumption of diplomatic relations between Mexico and Venezuela, after a lapse of twenty years, was

announced by the Mexican Minister of Foreign Affairs on June 9. By this and the similar action in regard to Peru, Mexico's relations with the other Latin-American countries have technically become normal.

COSTA RICAN FINANCES

An agreement reached late in 1932 with the trustees of the bondholders of American and British loans to the Costa Rican Government effected a reduction in its deficit for 1932 to a little less than $400,000 and saved it from an unprecedented budget crisis. Nevertheless, the service on the domestic and foreign public debts of Costa Rica is still large, the appropriation for that purpose for 1933 being about $1,600,000. The country's public debt increased during 1932 by $1,410,164, most of which consists of twenty-year 5 per cent bonds, issued in payment of interest on the American loan. The value of exports during 1932 was $8,341,000 as compared with $13,961,904 in 1931, while imports for 1932 amounted to $5,332,290, as against $8,487,854 in 1931. A favorable trade balance of $3,008,780 was thus shown.

AFFAIRS IN NICARAGUA

Because of the cessation of hostilities in the northern departments since the submission of the Sandino rebels early in the year, the monthly budget of the Nicaraguan National Guard has been reduced from $100,000 to $75,000.

A law prohibiting the foreclosure of mortgages for a period of six months and fixing the interest rate at 9 per cent in place of the former rates of from 12 to 18 per cent was passed by the Nicaraguan Congress as a means of relieving the acute economic situation. In order to meet the budget deficit and to provide loans to coffee growers, the Nicaraguan Congress also passed a law granting the President power to negotiate with the National Bank of Nicaragua for an emergency issue of $1,500,000. The collection of sufficient funds to pay the interest due on July 1 on Nicaragua's sterling bonds of 1909 and the Cordoba bonds of 1918 was announced on June 10 by Irving A. Lindberg, High Commissioner and Collector of General Customs.

EL SALVADOR'S FINANCES

The Congress of El Salvador has authorized the coinage of $2,500,000 in silver coins, each to contain twenty-five grams of the metal, as an emergency measure. It was announced in New York on June 15 that a protective committee of the holders of bonds of the Republic of El Salvador had obtained an agreement from the government of El Salvador by which 20 per cent of its customs revenues from Jan. 1, 1933, to Dec. 31, 1934, will be applied to the service on its external bonds.

FARM COLONIES IN SANTO DOMINGO

President Rafael L. Trujillo has established eleven farming communities in various parts of the Dominican Republic since he took office in August, 1930, on the principle that "agriculture is the backbone of the Dominican Republic." In addition, he plans to put 50,000 families on the soil by turning the jungles of the interior into flourishing farms and by the opening of modern motor roads to link towns that have been isolated for centuries. The farm colonies already established contain more than 300 Dominican families. They have been given expert advice, tools and every possible assistance; they have worked the virgin soil with unusual zeal and now have abundant crops.

Fascism in South America

By HENRY GRATTAN DOYLE
Professor of Romance Languages, George Washington University

THE development of Fascist organizations in Chile and Argentina, with the possibility that the movement may spread to Uruguay, Brazil and Peru, is one of the striking results of South America's emergence from the revolutionary era of 1930-1932. Unlike devotees of the movement in other lands, however, the South American groups seem to be primarily defenders of the Constitution rather than remolders of governmental forms. The oath of the Chilean Milicia Republicana includes a pledge to die, if necessary, to defend the "system of democratic republican government"; to fight for respect of the Constitution and to "combat all tyranny, whether communistic, civil or military." The Argentine declaration of principles includes a pledge to fight the "professional politician, exploiter of the masses," as well as organizations "which call themselves workers' unions but exist to magnify classes for the destruction of the Argentine entity"; to oppose all extremists; to combat demagogy; to be independent of political parties; and "to embrace nationalism founded on the ideals of the September [1930] revolution."

The Chilean group gave an impressive display of strength on May 7, when 15,000 members paraded in Santiago under command of Eulogio Sánchez Errázuriz and were reviewed by President Alessandri, whose régime they support. This "White Guard" was organized after the overthrow of President Montero, a constitutionally elected President, by Carlos Dávila, and Marmaduke Grove, and was carried on with such secrecy that its appearance a year later, well drilled and equipped, caused a popular sensation and a Cabinet crisis, Premier Hevia resigning, in protest against the parade. The unofficial "militia" includes cavalry and artillery units as well as infantry, and is reported to possess complete equipment for the field.

The Argentine Fascists, or Civic National Militia, grew out of the "Civic Legion" which General Uriburu formed to support his revolutionary government in 1930. They attempted a demonstration in Buenos Aires on May 19, but were dispersed by a large force of police.

DEADLOCK IN THE CHACO

The anniversary of the first clash between the forces of Paraguay and Bolivia was celebrated on June 15 in both La Paz and Asunción by religious services in memory of those who had fallen in the struggle over the Chaco jungle. Solemnity was added to the ceremonies because the anniversary fell on the feast of Corpus Christi, one of the holy days of the Roman Catholic Church. Meanwhile, the committee of the Council of the League of Nations which has been seeking a solution of the conflict continued its efforts in Geneva. As this was written there seemed to be little prospect of early success, for both nations were standing to their guns, literally as well as figuratively.

A concentration of official activities for peace in Geneva was indicated on June 27 when the Commission of Neutrals in Washington voted to suspend its activities for the present and affirmed its support of the League's efforts. The ABC-Peru group has likewise practically abandoned its attempts to reconcile the belligerents, although dispatches from Buenos Aires and Rio de Janeiro on June 20 and 21 reported that efforts were being made to induce this group to renew its activities. According to the Buenos Aires report, Bolivia was trying to persuade Chile to take the initiative in renewing negotiations, while the Rio de Janeiro dispatch spoke of a rumor that Brazil had been invited to act as a mediator by the Paraguayan Minister to Brazil. This dispatch also stated that the Bolivian Minister had conferred with Senhor Mello Franco, the Brazilian Foreign Minister, on June 19, presumably on the same subject. Neither report was confirmed.

Prominent Bolivian and Paraguayan citizens residing in Buenos Aires are reported to have begun conversations looking toward a solution of the conflict by direct negotiations. An atmosphere of cooperation and compromise prevails in the conferences, which are seeking a formula which can be virtually accepted by both countries before formal negotiations begin. Discussions of the treaties of 1879, 1887 and 1894 indicate that efforts are being made to agree on one of these pacts as the basis of settlement. All three provided that Bolivia should abandon most of her territorial claims in the Chaco in return for a port on the Paraguay River between Fort Olimpo and Puerto Sastre.

The various steps taken by the League of Nations Council committee have been duly reported in these pages. Briefly, the League's proposals provided for the cessation of hostilities, arbitration under terms to be determined by the council and the dispatch to the Chaco of a commission of inquiry authorized to establish definite frontiers. Developments during June follow. A Paraguayan note of June 6 suggested the immediate cessation of hostilities, the withdrawal of both armies and the dispatch of a League commission to fix responsibility for the trouble. Access to the sea for both countries was recommended. A Bolivian note of June 10 "deplored Paraguay's persistence in its territorial pretensions to the Chaco, which have no basis, diplomatically or legally, and do not facilitate peace negotiations." A further message from Bolivia on June 13 urged the League committee to endeavor to discover some means of direct negotiations with Paraguay with a view to concluding an arbitration agreement, "this being a condition on which all further action must depend." It will be noted that in these notes Paraguay stressed cessation of hostilities, followed by negotiations looking toward solution of the fundamental question, while Bolivia insisted that an arbitration agreement must come first. These positions have not changed during the month.

Paraguay on June 15 definitely accepted the League's proposals. Her reply, which included the points mentioned above, also asked for "effective assurances" intended to prevent further clashes, suggesting the retirement of the respective forces and the reduction of military effectives. A Bolivian communication on June 15 characterized the Paraguayan territorial claims in the Chaco as "monstrous" and asked the League committee to

induce Paraguay to reduce her claims so that negotiations would be possible. A Paraguayan message on June 19 accused Bolivia of "seeking delays in order to obtain advantages on the field of battle." In this note Paraguay insisted that cessation of hostilities was essential and must be accompanied by guarantees.

Bolivia's acceptance of the League committee's proposal to send a commission to the Chaco was found to be unacceptable by the committee on June 22, on the ground that Bolivia's terms had "altered the League's original proposal," which had already been accepted by Paraguay. On June 23, however, it was reported from Geneva that the League committee had come to an agreement with the Bolivian delegates, tacitly accepting the Bolivian point that cessation of hostilities and preliminary agreement on the arbitral zone must come simultaneously. The Paraguayan Ministry of Foreign Affairs on June 28 instructed the Paraguayan delegate at Geneva to insist that the termination of hostilities must precede any discussion of arbitration. The instructions added that when the time came to negotiate an arbitration agreement Paraguay would send a special delegation for the purpose. In the view of the Paraguayan Government, the negotiation of an arbitration agreement would necessarily take a long time.

These developments parallel rather closely the experience of the Commission of Neutrals in Washington. Fundamentally Bolivia and Paraguay still maintain their original positions. Paraguay holds that the Chaco dispute involves a boundary question, Bolivia a territorial question. Bolivia insists that a definition of the limits of any arbitration shall precede the suspension of hostilities, while Paraguay demands a suspension of hostilities and guarantees before any arbitration agreement.

From the military point of view there has been little change during the last few weeks. The Bolivians have been unable to continue their drive, which at first assumed impressive proportions. General Kundt has been unable to take Nanawa, the Paraguayan Verdun, and is reported to be having difficulties in holding his front of nearly 200 miles, from Fort Toledo to Fort Sorpresa, with an army reduced by sickness and losses to about 30,000 men. Bolivia has called up additional reserves from classes of men 32, 33 and 34 years old to reinforce her armies. On the other hand Paraguay's troops lack the numbers and perhaps, worn out by the long conflict, the vigor, to make any impression offensively on the Bolivian line. Yet Paraguay has apparently been able to shake Bolivian morale recently by air raids in which bombs were dropped on Bolivian troops defending Forts Platanillos and Fernandez. Previously, the advantage in the air rested with Bolivia.

Argentine neutrality has undoubtedly handicapped Bolivia. The closing of the Pilcomayo River frontier has prevented supplies from reaching Bolivian headquarters through Argentina. Large stores of clothing, foodstuffs and gasoline are reported to have been stopped at Puerto Irigoyen and Ingeniero Juárez, and the whole Pilcomayo frontier, 260 miles long, seems to be tightly closed not only to munitions but to all kinds of supplies, as well as to the passage of persons.

Irritation between Argentina and Bolivia arising from the embargo has been intensified by other factors. A Bolivian aerial bombardment of Puerto Casado led to a protest by Argentina,

on the ground that the property of an Argentine citizen was damaged. The protest included a claim for indemnity. Two American firms also entered claims for damages caused by the bombings. A Bolivian reply on June 6 to the Argentine protest rejected the claims, and suggested reference of the matter to the World Court. This reply was not calculated to sooth Argentine sentiment. On the other hand, Argentina's refusal on June 8 to reopen Puerto Irigoyen in response to a Bolivian request served to increase irritation in Bolivia.

A further episode was the effort of General Toranzo, an exiled Argentine officer, to take advantage of the situation to start a revolt against President Justo. In return for Bolivian aid, the rebel General promised, if successful in overthrowing the government, to reverse the Argentine position on the blockade. According to reports, the proposal was promptly rejected by Bolivia, but on June 26 it was announced that the Bolivian consul at Salta had been given his passports, on the alleged ground that he had acted as an intermediary for plotters against the Argentine Government.

Reports from La Paz assert that the provinces of Northern Argentina did not favor the embargo, which has injured their trade with Bolivia in agricultural products.

The possibility that Arica, Chilean railhead of one of two railroads giving Bolivia access to the Pacific, might be declared a free port, was reported on June 20. Though not at present closed to Bolivia under Chile's neutrality proclamation because of treaty agreements, Arica's status as a free port would remove any possibility of an embargo on Bolivian supplies or munitions coming through the port.

THE LEAGUE IN LETICIA

The League of Nations commission entrusted with the task of governing and policing the Leticia area pending settlement of the question arrived at Leticia on June 25 and took possession of the territory. Peruvian troops were promptly withdrawn. The members of the commission are Colonel Arthur Brown, U. S. A., of the Judge Advocate General's Department; Captain Alberto Lemos Basto of the Brazilian Navy; Captain Francisco Iglesias, the Spanish aviator, and Dr. Armando Mencia, of Cuba. Colonel Brown is president of the commission. Great cordiality was manifested toward the commission, which was officially welcomed by César Velarde Más, Prefect of the Peruvian province of Loreto. Colonel Brown replied to the official greeting in Spanish. In order to reach their post within the prescribed thirty days, the members of the commission had to make their journey largely by plane, four days being taken by the journey up the Amazon on a Colombian cruiser. Under the terms of the agreement, the commission was to select the police force for the area. It was believed that Colombian troops would be "internationalized" for the purpose.

The assumption of direct control over the Leticia territory by a League commission is significant not only as the first instance of such action by the League, but as the first instance in which the League, rather than the American Government, was the protagonist of such an international drama on the soil of the Western Hemisphere. That the United States Government is not disturbed by the innovation is apparent from the assignment of Colonel Brown to the task.

Britain's Slow Business Revival

By J. BARTLET BREBNER
Assistant Professor of History, Columbia University

FEARS have been expressed in Great Britain, just as in the United States, lest the recent improvement in business and the rise in prices have been largely speculative. It is understandable, for instance, that an industry which had been convinced that prices were being driven up would hasten to increase its stocks of raw material. The figures for British foreign trade during May showed no such improvement as that in domestic business turnover. Exports were £34,580,000 (£34,596,000 in 1932) and imports £57,290,000 (£55,735,000 in 1932). While the figures represented an improvement over April, 1933, this advantage disappeared when the number of working days was equated.

The statistics of employment were much more cheerful, indicating that internally at least there had been real improvement. During May the number of unemployed fell by 114,755 to 2,582,789, the lowest figure since May, 1931, and an improvement of 320,186 since January. The number of employed rose by 123,000 to 9,657,000, an improvement of 372,000 since January. Increased activity was reported in building, engineering, metal, woolen textile, clothing and footwear industries. Both iron and steel production were substantially increased. Cotton textiles were still badly depressed, and in spite of an increase in coal exports during May the number of unemployed coal miners increased.

Some members of the Labor Opposition interpreted the change for the better as due to inflation. They recalled that £200,000,000 had been added to the exchange equalization fund on May 15 and that the Treasury bills for that amount had not been offered in the public market. Indeed, the Treasury had even abandoned its recent policy of converting some of its bills every week into long-term 2½ per cent bonds because that policy had upset the "gilt-edge" securities market. If no one bought the Treasury bills, the huge floating debt had merely been increased by £200,000,000. The Laborites, therefore, maintained that if the Treasury had not borrowed the money it must have created it. They added venom to their attack in Parliament on June 20 and 21 by suggesting that the government had been doing what the Labor Government had been blamed for, namely, using the deposits in the postoffice savings banks.

This ingenious attack, coming during the Anglo-American differences at the World Economic Conference (See pages 581-586), considerably disturbed the government. It denied that postal savings funds were being used, asserted that the whole transaction was mere bookkeeping between the Treasury and the Exchange Equalization Fund, and denied the charge of inflation by stating that the Treasury bills were issued for immediate purchase of gold.

That assertion brought the mysterious operations of the equalization fund into the foreground once more. Except during the period in late May

and early June when foreign competition put gold at a premium in the London free gold market, Great Britain retained most of the gold arriving in the country. The holdings of the Bank of England during the period rose only about £2,000,000 to a total of £189,221,503, on June 21, but the holdings of the exchange fund were not made public. June ended with the opposition maintaining that the government was either inflating or gambling in exchange on an unprecedented scale. If the exchange fund bought dollars during May, the United States had been doing its best to depreciate them since then. The government retired behind the screen conveniently provided by its current secret international negotiations over war debts and the matters before the World Economic Conference.

President Roosevelt's acceptance of £10,000,000 in silver at 50 cents an ounce as a "token" war-debt payment on June 15 had greatly strengthened the position of the British Government. A new element in its campaign against short-term "refugee capital" in London was a letter from Neville Chamberlain to Stock Exchange members warning them against facilitating its embarrassing entrance by negotiating large sales of foreign securities in London. Such sales have been the chief technique of the flight of capital from the United States. The government was particularly anxious to avoid a repetition of 1930 and 1931, when Great Britain borrowed short and lent long and then could not liquidate the called short loans when the European crisis spread. Every influence seemed to be driving the United Kingdom toward the purchase of gold, a policy quite in keeping with growing British economic nationalism.

There were signs of a deepening in the struggle between the financial internationalism of London and the industrial nationalism of England, but the general scene was too complex for these manifestations to be very clear. The most obvious demonstrations of the anti-international spirit were in the hurried steps taken to meet Japanese competition in Indian and Eastern colonial markets by increased tariffs, the refusal to join in an international tariff truce and the passage through Parliament of the Agricultural Marketing Bill. When this bill becomes law, the United Kingdom will have an almost completely controlled economy so far as foodstuffs are concerned. Under it, when the producers of any agricultural commodity have secured approval from Parliament for their marketing organization, the Board of Trade will begin to regulate imports. In effect, a market supply committee of five, in cooperation with the Board of Trade, will issue licenses for both home production and the importation of foodstuffs.

The report of the Imperial Committee on Economic Consultation and Cooperation was published simultaneously in the United Kingdom and the Dominions on June 8. The general tendency of its recommendations in the economic field, which were analogous to t[illegible]e of the 1926 and 1929 Imperial Conferences in the political and constitutional fields, was toward the integration of various imperial organizations for agricultural research, and so forth, and their transformation from British organization and membership to an arrangement involving equal representation of the Dominions with the United Kingdom. It was, for instance, proposed that most of the functions of the Empire Marketing Board be transferred to the permanent Imperial Economic Committee.

The Imperial Communications Advisory Committee, a highly specialized body, was to be continued, as was the Imperial Shipping Committee, but the latter's organization was to be changed so as to insure constitutional equality. The Imperial Economic Committee was to be financed under a proportional subscription scheme, was to be independent of any one government and was to be empowered to deal with the Dominion governments directly. It seemed as if the individual nationalisms so evident at Ottawa in 1932 were perpetuating themselves in the permanent advisory bodies of the British Commonwealth of Nations.

THE ANGLO-IRISH TRADE WAR

There were persistent rumors throughout June that an Anglo-Irish settlement would be effected during the World Economic Conference. An unusually strong Irish delegation went to London and some observers saw an analogy between Irish behavior toward Great Britain there and the Soviet attitude toward the United States. The trade figures for the year ending April, 1933, added urgency to Irish efforts to end the trade war, by which she has suffered relatively so much more than the United Kingdom. An example is that, in spite of export bounties, the live-stock trade was cut by 50 per cent. Government spokesmen continued to demand Ireland's terms or nothing. Meanwhile, active progress was being made at home with legislation for small holdings and economic self-sufficiency. Rumors of an election were stilled by the statement that the government intended to stay in power for its full five years in order to complete its reorganization of Irish life. A new weapon against Senate obstruction was being forged in a bill to reduce to three months the period during which Senate opposition can hold up legislation in the Dail.

RECOVERY IN CANADA

Canada has continued to share in the North American business revival, although as usual her recovery, like her depression, has been less emphatic than that of the United States. All the indices of business activity have turned upward. Probably the most encouraging change has been the rise in wheat prices to the neighborhood of 75 cents. Gold and silver have continued to profit from the monetary peculiarities of the day, non-ferrous and non-metallic minerals have gained in price, and only the prostrate paper industry has failed to profit by price changes. Its production increased in anticipation of greater demand in the United States and there were hopes that reorganization of the American paper industry under the Industrial Recovery Bill would involve higher prices which would be immediately reflected in Canada. Little or no progress, however, was apparent in the much-needed reduction in productive capacity and capital structure.

After the disappointments of the April statistics of foreign trade, May provided a really heartening picture, not only in its reversal from April but in its substantial gains over 1932. Exports were $45,576,000 ($40,476,000 in 1932) and imports $32,927,000 ($44,361,000 in 1932), thus converting a deficit of almost $4,000,000 into a surplus of $12,649,000. Among the exports there were increases in practically all classes to the United Kingdom (chiefly grains, live stock, meats and non-ferrous metals), and in several classes to the United States. For the year ended April, 1933, exports to Great Britain were $188,675,000, an increase of 13 per cent over 1931-32

ıring a period of declining trade. t the end of May the Dominion ureau of Statistics calculated that anada gained $23,000,000 in net balnce during 1932, because her trade ırplus of $80,000,000 and gold export f $67,000,000 more than compensated ›r the adverse invisible balance.

Although the proposed revision of ıe Shipping Act was not carried ıt during the last Parliament, two nendments were passed providing ›r the complete exclusion of foreign ıips from Canadian coastal trade and 'om the carrying business between anadian ports on the Great Lakes. he country aimed at was the United tates, although some Scandinavian 'amp steamers would be affected, ›th on the oceans and the lakes. Canda has received abundant provocaon from similar American legislation gainst Canadian shipping, but powerıl Canadian transportation interests ere still doubtful about their capacity › face reprisals in the way of restricons on Canadian carriage of Oriental ıd Alaskan products to the United tates. In addition, the farmers of the 'est were openly apprehensive lest a anadian Lakes monopoly might raise ıe rates for carrying grain.

It was reported in New York early ı June that private American neotiators had reached an agreement ith the British Government on the ›nditions under which Canadian grain ıssing through the United States ight enjoy British preference. Buflo has been very hard hit and the ovement of Canadian grain through ew York has been only 40 per cent of 932. The procedure agreed upon involved abundant documentation to rove that a United Kingdom order ıd been accepted by a Canadian seller ıd that the grain had not been mapulated en route.

It was announced on June 28 that Canada had completed her external loan refunding for 1933 by selling $60,000,000 in Treasury notes in New York. This left the decks clear for the huge internal conversion loan planned for the Autumn.

On June 25 it was announced that the British Government would place at Newfoundland's disposal funds sufficient to make up the amount of bond interest falling due on June 30 and July 1. Canada assumed half of a similar responsibility six months ago.

AUSTRALIAN REVENUE GAINS

While it is impossible to be definite about an increase in popular welfare in Australia, it is clear that the Federal and State Governments have set their financial houses in order. The Federal budget is now calculated in terms of surpluses which are rising with swelling customs revenues. The State budget deficits have been reduced to £8,500,000, of which £4,500,000 represents sinking fund payments. The internal loan of £5,000,000 for public works was oversubscribed by £3,000,000 and Stanley M. Bruce secured permission from the British Treasury to convert £11,400,000 of 6½ per cent overseas loan to a 3½ per cent short-term issue. Unemployment has been steadily reduced by the substitution of public employment for the dole. The prices of wool and wheat were rising steadily. New Zealand, too, has shared in the better times. Her Treasury showed a surplus of £40,000 in place of the expected deficit of £1,000,000.

SOUTH AFRICAN GOLD TAX

Expectations of a quiet session in the Union Parliament of South Africa because the opposition to the coalition amounted to only twelve members in four groups have been disap-

appointed. Freed from party obligations, members have made such intelligent criticism of the budget and finance that a general reorganization of Union and Provincial finances is likely to take place.

The new tax on the gold mines has attracted most interest, not only because of the collapse which it caused in the stock boom but because for once mine owners and workers have united in opposition. Minister of Finance Havenga and Minister of Mines Duncan, his deputy during his absence in London, have clung to the taxes on gold by which they planned to collect £20,000,000 for balancing the budget and easing the farmers' loan and mortgage obligations. The regular tax, or governmental share of mine output, was expected to yield £13,800,000. The new tax on excess profits, owing to the premium on gold since relinquishment of the gold standard, was to yield £6,000,000. Its burden has been the subject of grave disagreement, but it seemed to amount to from 58 to 60 per cent of the automatically increased profits. The mining interests held that it would prevent them from taking advantage of the opportunity to process low-grade ores.

One of the odd features of the Ottawa Conference in 1932 was the self-election there of Southern Rhodesia to Dominion status, a procedure which was continued last Spring at the meeting of the Imperial Economic Committee. No protests were made and presumably the manoeuvre will slowly be accepted. It has received added emphasis from the unofficial conference during June of Northern and Southern Rhodesia with a view toward union. Northern Rhodesia could in this way escape from the control of the Colonial Office in London, and perhaps from its policy of Africanization of the services. Southern Rhodesia would treble the area controlled by its whites, but add only 15 per cent to their number. The added native population would be about 1,300,000, and the great new copper mines would be in the united Rhodesia. Union seems inevitable in time, but present circumstances appear to be hastening it.

THE INDIAN REFORMS

The progress toward the new Indian constitution has remained obscure. Hardly any news of the joint committee's deliberations in London has emerged, and most attention has been given to the revolt against the new scheme in the Conservative party. This movement was seriously checked by Stanley Baldwin at a full-dress party debate on June 28. In India the situation has become very complicated. Gandhi, who has recovered very slowly from his fast against Untouchability, is expected to assume leadership of the Congress party again and draw together its different factions, but he seems to be unable or unwilling to do so. Civil disobedience was suspended for a further six weeks on June 17, although the Government of India failed to respond to the pleas for the release of political prisoners.

Protests against the new constitution range from the justifiable fears of the subjects of the Indian princes lest they be consigned to perpetual autocratic government within the States, to every kind of minority and majority protest. Yet there seemed to be a greater interest in the positive changes expected and a tendency, because of the vigorous British Conservative opposition to the reforms, to force the various Indian groups to unite on some demands to the joint committee.

French Financial Policy

By GILBERT CHINARD
Professor of French and Comparative Literature, Johns Hopkins University

UP to the moment that President Roosevelt rejected the demand of countries on a gold standard for temporary currency stabilization, the leader of the so-called "gold bloc" at the World Economic Conference was France. While the British and American delegations appeared to be in a divided mind about the objectives of the conference and of the means of achieving them, the French representatives, with customary Gallic incisiveness, were clear both in their own minds and in their announcements to the conference of what they desired.

Premier Daladier on June 9 defended the foreign policies of his government before the Chamber of Deputies and incidentally outlined the position that was to be taken by France at London. He expressed his strong opposition to a general inflation of currency and reaffirmed his belief that "it is necessary for the nations which have abandoned the gold standard to resume it as soon as possible." He further declared that a redistribution of the stocks of gold could not be satisfactorily arranged through banking measures but could result only from a return to normal economic conditions. In reply to questions from M. Flandin and M. Franklin-Bouillon, he denied that the government had sacrificed the allies of France in adhering to the Four-Power Pact, explaining that it had to choose between cooperation with the rest of Europe, particularly with Great Britain, and a complete break. After listening to these glosses on the Cabinet's policies M. Herriot, who had opposed the Four-Power Pact, withdrew his objections and moved a vote of full confidence in the government, which was carried by 405 to 169.

After returning from the early sessions of the London Conference, the Premier on June 14 took an optimistic view of the prospects of the conference, but reiterated his belief that "no effective work can be done unless the dollar is stabilized." On June 17 he again outlined the French program to newspaper correspondents, stating that the economic problems could not be solved before the stabilization of currencies and a return to the gold standard were accomplished. He again maintained that these were preliminary conditions without which all measures that might be advocated would be absolutely worthless. He went on to dissipate any hopes that France might bargain over tariffs by declaring that conditions regulating production and consumption throughout the world had been so modified as to render impossible any consideration of automatic reductions of the French tariff and quota system as long as production is not systematically organized. If the tasks of the conference are viewed in the light of these profound difficulties, M. Daladier's original expression of optimism must be taken with a grain of salt or as a polite *prologue diplomatique.*

The strong and unequivocal position

of France at London could scarcely have been taken had the conference met earlier. Recent changes in the domestic situation of France and in the European system underlie France's strong policy abroad. The prospect of treaty revision has receded since Hitler came into power in Germany, and France needs no longer to cultivate by every possible means support abroad against that danger to herself and her allies. The budget tangle was straightened out just in time to clear the domestic atmosphere and leave the Cabinet a free hand for its foreign policy. The Bourse and government securities have gained strength and gold is again flowing into the coffers of the Bank of France. The Treasury has felt strong enough to pay off a railway loan contracted in Holland, to authorize a French banking group to lend $20,000,000 to Belgium and to contemplate the liquidation of a £30,000,000 British loan before it falls due. On June 29, the Bank of France held 81,245,000,000 francs in gold, about 2,000,000,000 francs less than the all-time high of last December, but nevertheless an increase over previous months and of greater value in terms of American dollars today.

Another factor, this time an unfavorable one, added to the French determination to secure currency stabilization abroad and a general return to the gold standard. In spite of an unusually high tariff wall and a meticulously managed quota system, the French trade deficit is growing. For May imports totaled 2,465,000,000 francs against exports of 1,479,000,000 francs. For the first five months of 1933 imports amounted to 12,702,000,000 francs, while exports were only 7,549,000,000 francs. Now that tourist expenditures are greatly diminished and reparation payments have all but vanished, this huge deficit is becoming increasingly serious. This situation gave rise eighteen months ago to the quota system that is now under fire at the London conference. But France cannot see her way clear to relaxing the system so long as depreciated currencies abroad place French exporters at a disadvantage in international trade. Up to July 1 the government renewed its quotas on approximately 1,800 products, and the quotas on a large number of agricultural products were reduced by a regulation issued on June 29. Moreover, the government on June 20 presented a bill to Parliament raising tariffs on more than 100 manufactured articles that come mainly from Germany in retaliation for recent German tariff increases on French products. The French press and public opinion appeared to be solidly behind M. Daladier's government in its trade policy and its demand for stabilization and the gold standard. A small group of exporters, however, was agitating for the abandonment of the gold standard in order to enable them to compete more effectively in the markets of foreign countries.

Though the position of the Daladier Cabinet is stronger now than it has ever been, its difficulties are far from being over. The new taxes in the 1933 budget have created a great deal of discontent and the Taxpayers League is renewing its protests. At Albert an auction sale of agricultural implements for non-payment of taxes by a farmer occasioned scenes recalling those of the American Middle West, and jurists in articles published by the newspapers try to impress the public with the idea that if the Parliament has the right to refuse to vote taxes the citizens cannot refuse to pay them. On the other hand, the

general opinion seems to be that taxation has reached such a point that it cannot be increased without seriously endangering commercial transactions. For the first four months of the year tax returns amounted to 11,038,000,000 francs, a decrease of 634,000,000 from the corresponding period of last year. Commercial failures for the same months totaled 4,988. The number of those unemployed receiving assistance from the State was 283,000 at the end of May, practically the same number as last year at the same date, but about 50,000 less than in February. A census of factories employing at least 100 workers indicated that out of 2,374,914 those working less than forty-eight hours a week amount to 39 per cent, while a year ago at the same date the proportion of partially employed was 56 per cent. On the other hand, the railroads reported a decrease of 6.40 per cent in their receipts for the period from Jan. 1 to May 31. Carloadings fell from 6,569,000 to 6,400,000. M. Lamoureaux's proposal to grant the government the right to regulate import taxes by decree was unfavorably reported by the Tariff Committee of the Chamber of Deputies. The committee substituted for it a plan that would enable the government to raise, but not to decrease, import duties during the Parliamentary recess, such measures to be subject to the approval of the Chamber at the beginning of the next session and to be automatically discontinued if not ratified.

The attitude of the French Government and people toward the debt question remains unchanged. The possibility of paying America the amount due last December has not even been discussed; the note of the French Government to President Roosevelt and the answer from Washington were published without any comment by the press. On this point there is a complete impasse, the French public taking the position that the Hoover moratorium introduced an entirely new element in the situation and that no payment can be made except under a new agreement. Even M. Herriot, who had advocated at least a partial payment after his return from Washington, remained silent on the occasion. There was much disappointment at the refusal of Washington to consider the immediate stabilization of the dollar; but the fluctuations of the American standard of exchange reacted rather in favor of French Government bonds. The French 3 per cent rentes regained more than a point over last month, closing on June 16 at 69, and all other French Government issues experienced a similar advance.

Before Parliament adjourned for its Summer recess two important questions were to be presented by the government for discussion. A complete reorganization of the French Line was scheduled to be submitted to the Chamber on June 27. According to this plan, the flotation of a new loan to be guaranteed by the government would be authorized and a certain number of government representatives would be added to the board of directors of the line. The Chamber was also to be asked to decide on the quantity of Algerian wine that can be admitted into France without disturbing the domestic market.

The fear of aerial invasion and bombing continues to haunt the imaginations of the French. A congress for the protection of the civilian population against aerial warfare which met on June 17 at the Sorbonne under the presidency of M. Désiré Ferry, former Minister, discussed protective measures to be taken in case of bombardment by airships.

The French press commented on the fact that the United States had recalled its commercial attachés in Europe and reduced by 75 per cent the personnel of the foreign trade office at home. Another sign that America is passing through very hard times was seen in the appeal for funds issued by the American Library in Paris. Established shortly after the war and mainly supported by the American residents in Paris, the library had been for more than twelve years an important centre of information for French as well as American students. It is hoped that the French themselves will contribute toward the support of a most useful institution that is now in danger of closing its doors for lack of sufficient funds.

The new American Ambassador in Paris, Jesse Isidor Straus, presented his credentials to President Lebrun on June 8.

BELGIAN ECONOMIES

The Belgian Government, authorized by Parliament after long and stormy discussions to regulate financial matters by decrees, published on June 1 a series of new regulations. All government salaries and pensions were reduced by 5 per cent; government subsidies were cut by 20 per cent; legislation concerning unemployment was drastically changed and work for the unemployed made compulsory. These measures met with an unfavorable reception on the part of the Socialists and even the Christian Democrats. Both parties were preparing to attack the government because of these measures when Parliament reconvened on July 18.

The Nazi "Totalitarian" State

By SIDNEY B. FAY
Professor of History, Harvard University and Radcliffe College

THE German National Socialists have recently borrowed another slogan from the Italian Fascisti—the establishment of the "Totalitarian State." This means that the Nazi revolution must go uncompromisingly forward until it embraces the totality of the German people in every phase of activity. Germany must become 100 per cent National Socialist. Speaking to his lieutenants in Berlin on June 14, Chancellor Hitler declared that the extension and reinforcement of the Nazi movement was essential in the interest of the new Germany. "Decisive for any real construction of the State is its underlying philosophy," he said. "The bearer of the philosophy of the new Germany is the National Socialist party. Therefore it must expand, for in this movement are the roots of its strength. The law of national revolution has not run its course. Its dynamics still govern developments in Germany that irresistibly tend toward the complete reconstitution of German life."

Dr. Goebbels, the Minister of Propaganda and Enlightenment, put the same idea more forcibly a couple of days later: "The revolutionary forces must be directed into all channels of public life. That is the real sense of coordination *(Gleichschaltung)*. This coordination only outlines what will be the normal condition of Germany.

This Germany is to have only one goal, one party and one conviction, and this State organization is to be identical with the nation itself. Revolutions know no compromises. The State must stand for the principle of totality."

State Councilor Waldmann of Württemberg, summarizing these views to his administrative officials at Stuttgart, explained: "The principle of totalitarianism of the Third Reich involves not only the dissolution of Marxist parties, but the absorption of all other parties." The spirit in which this was to be accomplished was indicated by Herr Sauckel, the Nazi Governor of Thuringia, who declared in the town where the liberal and tolerant Weimer Constitution had been born: "I command you now to show intolerance against all else [other than the proletarian National Socialist State.] Henceforth there must be but one political faith in Thuringia—National Socialism. Discussion of matters affecting our existence and that of the nation must cease altogether. Any one who dares to question the rightness of the National Socialist world outlook must be branded as a traitor."

In accordance with this totalitarian conception, the Nazis, after outlawing the Communists as a sequel to the Reichstag fire, and after forcing the dissolution of several minor political parties, proceeded toward the end of June to the elimination of the Social Democrats, of the State (or Democratic) party and also of the Hugenberg Nationalists. This left as the only party still to be "coordinated" the Roman Catholic Centre. The Nazis have also coordinated the labor organizations, the youth organizations and the remaining semi-military training organizations outside the Nazi organizations. Even the newly formed and unified German Evangelical Church has been forced to bow in submission.

The German Socialists, or more accurately the Social Democrats, were steadily weakened and undermined by the Nazis until the party was finally suppressed on June 22. Many of their newspapers had been suspended or banned and many of their leaders imprisoned or forced to seek safety in flight after the burning of the Reichstag building, when the Nazis attempted to fix complicity on them as well as on the Communists. Four-fifths of the Social Democratic leaders were indeed allowed to attend the first Reichstag meeting under the Hitler régime, but they refused to vote in favor of placing virtually dictatorial power in Hitler's hands. Later they were further weakened by the Nazi raids upon the trade-union headquarters and the sequestration of the trade-union funds and offices, the labor unions being "coordinated" into the Nazi labor organization known as the German Labor Front.

The sweeping decree issued by the National Socialist Government on June 22, which virtually outlawed the Socialist party, declared that "recent events have furnished indisputable proof that German Social Democracy does not shrink from treasonable attempts against Germany and its legitimate government. Prominent Social Democratic leaders, such as Wels, Breitscheid, Stampfer and Voegel, have for weeks been waging warfare from Prague against Germany's National Government." The leaders who remained in Germany were taken to task for not having excluded from the party these "traitors" to Germany. Therefore the Nazi authorities held that "the Social Democratic party must be considered as subversive and inimical to the State and people, and thus can claim no other treatment

than that accorded to the Communist party." Accordingly the decree ordered that Socialists who were still members of the Reichstag and the State Legislatures must at once be deprived of further execution of their mandates and their pay as such was suspended. Civil servants and other public employes can no longer draw pay or pensions from the government as long as they belong to the Social Democratic party. "No more propagandist activities by the Social Democratic party henceforth are permitted and its assemblies are forbidden. No Social Democratic newspaper or periodical may be issued. The property of the party and its affiliations is to be sequestered."

Thus came to an end the party which had the greatest numerical strength in the Reichstag just before the World War, which took a leading part in drawing up the Weimar Republican Constitution, and which remained the largest political party until it was overshadowed by the Hitlerites. The disappearance of the Social Democrats from the Reichstag definitely insures the Nazis an incontestable majority in that body, independent of the Nationalist and Centrist parties, in the event that the suspended Legislature should ever again be summoned to act. The suppression of the Socialists presaged that of the Hugenberg Nationalists a few days later.

Dr. Alfred Hugenberg was taken into the Hitler Cabinet when it was formed last January because of his wide influence through his great chain of newspapers and his control of movie films, because he was the leader of the Nationalist party, and because Hitler needed the cooperation of the Nationalists to win the majority of the popular vote that would put dictatorial power into his hands. It was originally expected that Hugenberg, von Papen and the other non-Nazi members of the Cabinet would be able to exert a good deal of restraining influence on Hitler and his followers. But such has not been the case. Hugenberg's power in the Cabinet has grown less and less, and his position more and more uncomfortable. Either he was not consulted or things were done of which he disapproved. His practical power was greatly diminished when the Steel Helmets, which were largely Nationalist in political sympathies, were "coordinated" with the Nazi party.

In accordance with the totalitarian principle, which aims to exclude or suppress all organizations except those under Nazi control, Hitler on June 21 decreed the suppression throughout Germany of Hugenberg's small private green-shirted semi-military force known as the German National Battle Ring, in which about 10,000 young Nationalists were enrolled. The immediate reasons given were the usual ones—that the Battle Ring had become honeycombed with subversive Marxist and Communist elements; that its management had failed to take any purifying action, in spite of information placed at the party's disposal by Goering's political police, and that therefore the government found itself forced to resort to summary suppression. This, it was stated, was not to be regarded as involving any hostility to the so-called National German Front, to use the name by which the revamped Hugenberg Nationalist party has been known in recent months. It was, nevertheless, something of a Nazi slap in the face for Dr. Hugenberg.

Meanwhile Dr. Hugenberg had gone to London as a member of the German delegation to the economic con-

ference. Possibly as a last bid to restore his prestige and influence in Germany, Dr. Hugenberg startled the conference and the world by handing in a memorandum insisting that if Germany were to pay the interest on her debts she must be given back her colonies and be given land to the east of Germany. Whatever may have been his motives, his memorandum had the worst possible effect on his own personal fate and on Germany's relations with her neighbors, especially with Russia. The Nazi Government in Berlin at once disavowed Hugenberg's memorandum as merely expressing his own personal views and not those of the German Government. Instead of strengthening his position at home, it apparently weakened him still further, or at least gave the Nazis a further handle for getting rid of him and his Nationalist party altogether.

The Nazi Press Bureau, on June 27, announced that leaders of the German National Front, that is, the Hugenberg Nationalists, after a conference with Chancellor Hitler, had decided "voluntarily" to dissolve their party by an "amicable agreement" under which all Nationalist deputies would become affiliated with the Nazi party. This was accompanied by the news that Dr. Hugenberg had submitted to President von Hindenburg his resignation as Minister of Agriculture and Economics in the Hitler Cabinet.

Dr. Hugenberg's resignation was in no sense unexpected. It came as the natural climax to the Nazi policy of edging out of influence all persons except members of their own party. It was also a natural consequence of bitter feuds within the Cabinet. Almost from the moment of his becoming Minister, Dr. Hugenberg was at odds with "The Leader" (Hitler) and with other group interests. First, it was opposition from the bankers, because of what they characterized as his dilatory tactics. Labor then criticized him for raising the price of margarine in the interests of the farmers. Big industrialists, who had formerly been friendly to him as one of their own members, deserted him when they felt that he was giving away before the demands for economic self-sufficiency. Finally came his London memorandum asking for the German colonies in Africa and for more room to expand in Eastern Europe.

At the same time that the Hugenberg party was "voluntarily" dissolved, the Nazis also put an end to the State party, formerly known as the Democratic party. Its members were deprived of their seats in the Reichstag and the Prussian Legislature, on the ground that the party had pooled its interests in the last election with the Social Democratic party, which had been banned a week earlier. Nazi raids were also made on the Bavarian People's party, the South German offshoot of the Catholic Centre party. Its papers were seized and some of its leaders arrested, so that its power was broken.

Of all the German political parties, therefore, apart from the Nazis themselves, the only one left was former Chancellor Bruening's Roman Catholic Centrist party, and even its existence, at the moment these lines were written, seemed precarious.

Friction between the National Socialists and the Roman Catholics has steadily increased as the result of Catholic apprehensions over the expanding cultural aims of the Nazis. Much indignation and alarm was caused among the Catholics on June 4 by the removal of Dr. Berthold Altauer, Professor of Church History in the Catholic theological faculty of the

University of Breslau. He was dismissed by Dr. Bernhard Rust, the Prussian Minister of Culture and Education. The Catholics regarded this as an unwarranted interference with their freedom of instruction and the tenure of ecclesiastical officials. A little later several priests in the Palatinate and Württemberg were maltreated by Nazis. One was mobbed by a Nazi crowd which denounced him as a traitor and wrecked his home.

A pastoral letter issued by the conference of Catholic Bishops at Fulda on June 9 declined unequivocally any "coordination" in the sense of incorporation in a "national church" as wholly inconsistent with the universal character of Catholicism. The conference also expressed the opinion that some of the recent phenomena of the political overturn in Germany, including the Nazis' racial discrimination against the Jews, was merely the frothy foam of the fermentation going on, and voiced the hope that this would soon end. It went on to warn the German Government not to abridge individual liberty more than was indispensable for the commonweal. Within these limits the Bishops hailed Germany's resurgence after years of curtailment of her rights.

More than 20,000 Catholics planned to take part early in June in a national convention of Roman Catholic journeymen. Plans for the convention, to be attended by many representatives from foreign countries, including the United States, had been made a year in advance. Suddenly, without giving reasons, the Nazi government of Bavaria forbade it to take place. The ban, however, was removed three days later, perhaps because one of the speakers was to be Vice Chancellor von Papen. But the police announced that there must be no street parades nor open-air demonstrations, and that banners must not be displayed elsewhere than in the convention hall itself. Apparently these regulations were not strictly observed by the delegates, some of whom were alleged to have worn orange shirts and other emblems.

The result was a serious clash between the delegates and the Nazis, in which many Catholics were severely handled. Von Papen made his address, but was constantly interrupted by derisive Nazi shouts. On the second day of the convention, the conflict reached its climax when Nazi Storm Troops occupied the entrances, barred out the delegates, and prevented Cardinal Faulhaber, the Archbishop of Munich, from celebrating mass in the convention hall. The police then announced that those in charge of the convention were constrained "to break off the convention prematurely, of their own accord."

Later in June von Papen made another visit to Rome, presumably with the same purpose as his visit last Easter. He was anxious to obtain from the Pope for the National Socialists a new concordat for the whole Reich, combining, and possibly extending, the existing concordats with Prussia, Bavaria and Baden. At the same time he would persuade the Pope to use his influence to have the German Catholics abandon their political or semi-political organizations and allow themselves to be more fully coordinated with the new Germany. Any such agreement between Berlin and the Vatican is difficult to achieve on account of the school question. The German Catholics have held tenaciously to their denominational schools and religious instruction as the very basis of their power over the rising generation. From the standpoint of their own interests this has

been a wise policy. They will therefore do their utmost to prevent Chancellor Hitler from carrying out the threat which he made at Erfurt on June 18 —to take away the children from non-Nazi parents who resist the program of the Third Reich. "If the older generation cannot get accustomed to us," Hitler said, "we shall take their children away from them and rear them as needful for the Fatherland. * * * We shall accomplish what the future hopes from us. Let it be written on our epitaphs, 'We have been hard; we have been ruthless; but we have been good Germans.'"

The German Lutherans, in line with the Nazi policy of unifying Germany, combined their twenty-nine separate churches into a single German Evangelical Church and chose Dr. Friedrich von Bodelschwingh as their Bishop. In so doing they hoped to be allowed freedom in spiritual matters from State interference, and this was virtually promised to them at first by Chancellor Hitler.

But the hope of the Protestants that they would be left free from interference by the Nazis proved vain. Dr. von Bodelschwingh's election as Bishop was immediately contested and opposed by a Nazi army chaplain, the Rev. Ludwig Mueller, who wanted the position for himself, and by the Nazi German Christians, headed by Dr. Joachim Hossenfelder. They refused to recognize the legality of the new Bishop's election. Captain Hermann Goering, Prussian Premier and right-hand man of Hitler, declared that the new united Evangelical Church had no right to act without his approval, since he, as Prussian Premier, was the direct successor to the King of Prussia, who was supreme Bishop *(Summus Episcopus)* of the Prussian State Church. He therefore delegated all powers accruing to him as *Summus Episcopus* to August Jaeger as Reich Church Commissioner for Prussia. Dr. Jaeger appointed Nazi German Christians to the leading subordinate ecclesiastical posts so that the Protestant Church would be immediately "coordinated" under Nazi control.

Thereupon Dr. von Bodelschwingh felt compelled to resign, since he could no longer freely exercise his functions as Bishop. In surrendering his office he called for "a rejuvenated, living church, in which, however, things spiritual shall be treated spiritually, and in which the confession and preaching shall remain free from all political pressure. The struggle for such an inwardly free church goes on. This struggle is at the same time a struggle for the soul and the future of our people. The uncounted multitude who are of the same way of thinking should close their ranks and not lose courage. Let groups form everywhere of those prepared for common work and common prayer. Our hope is not with men, but with the living God."

In connection with this church struggle, Goering made a statement which is significant of the Nazi method of dealing with all their opponents. He issued a decree instructing officials, workers and other employes to regard anybody making remarks calculated to cause dissatisfaction with the government's actions as "Marxists in disguise" and to report them to the proper authorities.

International pressure of public opinion from outside Germany has forced the Hitler government to make two important concessions in regard to persecutions of the Jews in Upper Silesia and in the matter of Jewish athletes taking part in the Olympic Games.

By abstaining from voting the German Government on June 6 allowed the Council of the League of Nations to adopt in a binding way the report of Sean Lester holding that the application of anti-Semitic measures in Upper Silesia, complained of in the petition of Franz Bernheim, violated the convention with Poland for the protection of minorities in the region. The Hitler régime also improved on its previous promises by stating formally that anti-Semitic "measures taken by subordinate authorities that were not compatible with the Silesian convention would be corrected."

By these concessions Berlin succeeded in quieting this question, at least until the September meeting of the Council. Czechs and Poles, however, made it clear that they intend to use this question as a lever for extending the system of minority treaties to cover all Germany, whereas the League protects only the Silesian minorities in Germany. Arbitrary steps taken against Jews in Upper Silesia by overzealous Nazis commissioners or similarly self-appointed Nazi executives have been stopped and the authorities have obviously endeavored to convey the impression that everything was being done to make the lot of the Jews as easy as possible. Hermann Brueckner, recently appointed Governor of Silesia and generally regarded as one of the strong men of the Nazi movement, made a significant speech in favor of religious toleration. He pledged himself not to make any changes from the minority policy of his predecessor, Dr. Hans Lukaschek, whose fairness always found favorable acclaim at Geneva.

At the meeting of the International Olympic Committee in Vienna early in June the United States delegate, General Sherrill, supported a resolution that the Olympic Games, scheduled to be held in Germany in 1936, should be transferred elsewhere unless the right of free competition was accorded to all Jews, including those of Germany as well as of other countries. The feeling was so unanimous that the Berlin Government yielded at once.

On the other hand, the Reich Ministry of Posts, Telegraphs and Telephones has begun a searching investigation into the antecedents of its 350,000 employes to comb out all those of Jewish extraction who are liable to dismissal under the non-Aryan provisions of the Civil Service Act of April 4. The Hitler government has suppressed the subvention formerly given to the Jewish Church. The Berlin Press Association on June 27 formally expelled from membership five distinguished Jewish journalists: Theodor Wolff, long editor-in-chief of the *Berliner Tageblatt;* Friedrich Stampfer, former managing editor of the Social Democratic organ, *Vorwaerts;* Hermann Zucker, editor of the widely read *Acht-Uhr Abendblatt,* and Max Choen-Reuss and Alfons Goldschmidt, both well-known radicals and pacifists.

A pamphlet of a hundred pages, *The Jews in Nazi Germany: The Factual Record of Their Persecution by the National Socialists,* has been issued by the American Jewish Committee, 171 Madison Avenue, New York City. It sums up with documentary and newspaper material the first phase of the Nazi anti-Semitic campaign.

GERMANY'S FOREIGN RELATIONS

Germany's relations with Russia, which have been generally friendly during the past dozen years, appear to be moving toward marked coolness.

Germany was the first of the great powers to accord recognition to the Soviet Union as far back as 1922. Germany enjoyed a greater export trade to Russia than any other country, partly because of this recognition, partly because Germans understood the Russian market and granted generous long-time credits, and partly because Germany can supply cheaply the machine goods and equipment which Russia needs. Common hostility to Poland was still another bond of friendship between the two countries. But the Hitlerite government has done much to destroy this long-standing friendship. (See Professor Furniss's article on pages 629-632 of this magazine.)

Dr. Schacht's announcement that Germany's slight favorable balance of trade would make it impossible for her to pay interest and amortization on her long-time obligations caused much dismay among foreign holders of these obligations. Following up this announcement, the German Government on June 8 declared a moratorium on further payments abroad on these obligations. Negotiations in Berlin and at the London Economic Conference took place between Dr. Schacht and representatives of the foreign creditors. As a result, Dr. Schacht seemed inclined to relax slightly the extreme stand which he said he had been forced to take. It seems likely that he will continue full payments on the Dawes and Young Plan bonds and partial payments of interest, perhaps one-half, on the other long-time obligations. The rest of the interest would be paid in marks into a "blocked account" to be transferred abroad later when export trade makes it posible.

AUSTRIA AND THE NAZIS

The conflict between the Nazis in Austria, who want to gain control and coordinate Austria with the Hitlerite government in Germany, and Chancellor Dollfuss, who is determined to keep his republic independent of foreign dictation, increased in bitterness during the first three weeks in June. (See the article, "Austria Resists Nazi Imperialism," on pages 541-546 of this magazine.) Several bomb outrages occurred in Vienna, which were attributed by the police to Nazis who were believed to be trying to overawe the Dollfuss government by the use of violence. In consequence, Nazi headquarters were raided and closed, as was also the house in Braunau in which Hitler was born, now regarded by the Nazis as a kind of shrine. In the course of a week more than a thousand Nazis were arrested and jailed, the same kind of treatment being applied to them as the Nazis in Germany applied to the Communists and to many Socialists and liberals.

Among those arrested was Theodor Habicht, a Nazi member of the German Reichstag and "State Inspector" for Hitler of the National Socialist party branch in Austria. He had been attached to the press bureau of the German Legation in Vienna, but as he had been charged with carrying on active anti-Dollfus propaganda, the Austrian Chancellor had objected to him as *persona non grata* and had refused to accord him diplomatic immunity. He was therefore forthwith expelled from Austria. The Hitler government immediately retaliated by arresting and expelling from Germany Dr. Erwin Wasserbaeck, the duly accredited press attaché of the Austrian Legation in Berlin. He hastened to London to give his personal account to Dr. Dollfuss, who was attending the London Economic Conference.

A few days later a more serious bomb outrage occurred at Krems in

Austria. Two bombs were hurled from an embankment at a detachment of Heimwehr auxiliary police as they were marching back to their quarters. Thirty-two of the detachment were seriously wounded, two probably fatally. Investigation revealed that this again was the work of Nazis. The Austrian Cabinet therefore decided to outlaw the Nazi party. Nazis were forbidden to engage in any form of political activity, to form any other political party or to wear the swastika badge or any other party emblem. Their newspapers were suppressed and Hitler's chief organ, the Munich *Voelkischer Beobachter,* was prohibited from circulating in Austria.

This suppression of the Nazi activities in Austria at once brought a cry of rage and defiance from the Nazi-controlled press of Germany. With one accord the papers represented Dr. Dollfuss's blow at the Austrian Nazis as "a triumph for France," and they accused him and his colleagues of being traitors to the German cause paid with foreign money.

The reference to "paid traitors" relates to the long-ago-promised Lausanne loan of $40,000,000, which was to be made to Austria by France, Great Britain and other powers. This was at last probably to be made available to Austria on July 10 and would strengthen Dr. Dollfuss at home and enable him to begin to pay again arrears of interest on foreign debts and to remove all exchange restrictions which have seriously hampered Austrian foreign trade. Owing to this attempt of Nazi Germany to bully his little republic, Dr. Dollfuss was accorded special interest and consideration during his attendance at the London Economic Conference. Representatives of most of the powers took pains to show him their warm sympathies in his courageous fight to maintain Austria's independence.

The Spanish Cabinet Crisis

By WILLIAM E. LINGELBACH
Professor of European History, University of Pennsylvania

THE violent disputes over the Church Law in the Spanish Cortes and its final signature by President Zamora on June 2 seriously widened the breech between the political parties during June. On June 8 Premier Azaña, who has guided the destinies of the republic for two years, resigned because of increasing opposition and the refusal of President Zamora to agree to his proposed reorganization of the Ministry of Agriculture without consulting other party leaders.

The Premier's resignation created an intense political crisis. The Conservative opposition was jubilant. With Azaña out of the way, they hoped that the radical measures passed by the Cortes, especially the Church Law, would not be enforced pending a general election to be held in the near future, in which they felt confident that the strong national reaction against the Socialist régime would give them control of the next Cortes. President Zamora consulted the leaders of more than a dozen parties. Twelve of the fourteen republican leaders advised against an elec-

tion at this time. Even so conservative a man as Santiago Alva declared that "elections would undo everything that has been accomplished and incite every kind of passion." In the dilemma between an election that threatened to precipitate a nationwide strike by the Socialists and the continuation of the socialistically dominated Azaña régime of the Cortes, the President reluctantly decided against dissolution of the Cortes.

In his efforts to find a new Premier the President even turned to the Socialist leader, Indalecio Prieto, Minister of Public Works in the last Ministry, to form a Cabinet, hoping, so it was reported, that if the latter found that he could not control the majority, his party would be more willing to be left out of the reorganized Ministry under more conservative leadership. Prieto surprised him by undertaking the task, but when he gave him the names of his proposed Cabinet, the President objected because of the omission of Alejandro Lerroux, the powerful leader of the Radical Republicans. This caused a new impasse, and since Lerroux would not cooperate, the President was obliged on June 11 to ask Azaña to resume his place as head of the government. On the following day, just four days after his resignation, Azaña announced his Ministry. In general, it is very like the one dismissed three days before. Domingo Barnes, a member of Azaña's own party, the Radical Socialists, became Minister of Education to carry out the onerous task of building up a secular system of education in a country where 8,000 members of the religious orders have hitherto done nearly all the teaching. As Minister of Industry and Commerce, José Franchy Roca of the Federal party brought the fifteen Deputies of that group to the support of the government. The three important Ministries of Foreign Affairs, Labor and Public Works are held by Socialists, while Premier Azaña himself resumed the portfolio of the War Department.

The dominant party leaders of the Cortes and apparently President Zamora himself are unwilling to risk a general election at this time. They are determined not only to hold what has been gained but to carry out their program of making Spain entirely secular and, if not entirely, at least largely, socialistic. They even envisage, so some of the leaders say, Latin America following their lead in a revolt against the old aristocratic and clerical domination.

When President Zamora on June 2, just before the expiration of the legal limit set by the Constitution, signed the Church Law and returned it to the Cortes without comment, the Pope at once issued a vigorous protest in his encyclical, *Delectissimi Nobis,* while the Department of State of the Vatican announced that the members of the Spanish Government were, in virtue of their acts, automatically excommunicated under the provisions of the Canon Law. All Catholics in Spain were urged to combat the law by every legal means within their power. As was to be expected, the Socialist Republican Cortes paid little or no heed to the denunciation. On the contrary, it expressed its defiant attitude by adhering to an amendment to the law creating the Tribunal on Constitutional Guarantees by which that body, which is expected to play the rôle of a sort of superior court on constitutional questions, is inhibited from passing upon the constitutionality of laws enacted by the Cortes before the tribunal was created.

Agrarian discontent continued to disturb the rural areas. In the west and south dissatisfaction over the delay in making the land distributions, added to low wages and business depression, caused riots in many sections. On the other hand, the general farm strike planned for June 5 was called off. In Catalonia much bitterness and violence developed among the *rabassaires* (tenants on a share basis) against the landowners. Attempts at intimidation and the seizure of land grew more frequent as the protest of the landlords against the new law passed by the Catalan Parliament were made public. In the meantime, the confiscation of land continued.

In Barcelona a crisis in the municipal government was caused by the sudden resignation of the Mayor and the chiefs of the municipal departments on June 2, as a result of quarrels in the *Esquerra,* the powerful Catalan political party which controls both the municipal and the regional government. Indeed, the almost bankrupt condition of the city treasury, together with the serious friction within the State government since the inauguration of the Catalan statute early in June, has caused much anxiety.

The revolt in the little Republic of Andorra, whose simple political government dates back to 1278, took on another aspect early in June. In addition to the successful demands for a democratic government in which the younger generation would have a share, decided hostility was aroused by the increasing encroachment of France, which already has its own schools side by side with those of Andorra, and controls the telegraph system and the new highway through the country. The attempt also to take over the telephone system aroused the young Andorrans, who had already objected to the feeble resistance offered to French encroachments by the Council of Elders, and who were now further incensed by concessions to a gambling casino, through which there was to be set up in Andorra a sort of miniature Monte Carlo for tourists and vacationists using this gateway of the Pyrenees between France and Spain.

ITALY'S RELATIONS WITH FRANCE

The Four-Power Pact was initialed in Rome on June 7 by the representatives of Italy, Great Britain, France and Germany. The plan was first suggested by Premier Mussolini to Prime Minister MacDonald during the latter's week-end visit to Rome, but strong objections from Poland and the Little Entente, supported by France, made a radical revision necessary. As revised, the pact therefore represents drastic departures from the original proposals, though it is still regarded in Italy as a personal triumph for Mussolini. The four powers agree to cooperate in the maintenance of peace; to consult on all economic matters of European interest; to promote the success of the London Economic Conference; and, within the covenant of the League, to examine all proposals affecting treaty revision and the territorial integrity of its members. Whatever the effect of the pact upon the World Economic Conference or upon the German demands for the right to equality in armaments, Mussolini's tribute to French statesmanship in his speech before the Senate indicates a decided shift in Italian foreign policy in favor of more cordial relations with France.

Notwithstanding the meeting of the economic conference, and the agree-

ment to cooperate, the Official Gazette announced another increase in Italian tariffs of 25 per cent on the value of raw materials, 30 per cent on foodstuffs, live stock and half-finished products, and 40 per cent on finished goods. Goods now free will be taxed 20 per cent of their value. Budgetary and financial problems were very much to the fore in the early days of June. Just before the Chamber of Deputies adjourned for the Summer recess, Minister of Finance Jung discussed the budgetary situation very frankly. The deficit on June 30, when the financial year ended, would be, he said, about 4,000,000,000 lire. For the coming year, 1933-34, he estimated the revenue at 17,714,000,000 and expenditures at 20,614,000,000 lire, leaving a deficit of about 2,900,000,00 lire, a considerable improvement over the present year when the falling off in revenue is considered. The suggestion that this year's deficit be met by a domestic loan is looked upon with favor in financial quarters. In the meantime the special loan of 60,000,000 lire for the electrification of the State railways which was opened on June 1 was subscribed for almost immediately.

The plan for electrification of the railways has been carefully worked out and is to extend over an entire decade. When completed, more than 4,100 miles of road will have been electrified and millions of lire will be saved by the substitution of water power for costly coal brought from abroad. Along with electrification, there will also be a general improvement of the railroad system itself, much of which is antiquated. Incidentally, there will be greater speed and the elimination of the disagreeable smoke and heat incident to the many tunnels on Italian railways. The first lines to be electrified are the coast roads north and south.

Another phase of Italian transport and communications is the steady and enlightened modernization of the highways. Under the direction of the Azienda Autonoma Statale della Strada, which is heavily subsidized by the government, but which also has independent revenues derived from the tax on vehicles using the roads, nearly 6,000 miles of old and very bad roads have been rebuilt on the most up-to-date plans during the Fascist régime. Unique among these are the automobile speedways, the most recent being between Genoa and Trieste now nearing completion. A road built especially for automobile trucks between Milan, Italy's chief industrial centre, and the seaport of Genoa is also well advanced.

That this modern and scientific development of Italy's system of transport and communications, coupled with other phases of the extensive program of public works, is having a wholesome effect on the unemployment problem appeared in the statistics issued on June 15. According to the figures there has been a steady decline from the peak this year of 1,229,387 in February to 1,000,154 in June, that is, about 14½ per cent, or more than 5 per cent better than the showing of last year. Heavy demands for the products of the metallurgical industries is responsible for the added employment of a considerable number. At the same time the spread of the work-sharing system has had some effect on the favorable showing, more than 52,000 persons working on part time during May.

During the month agriculture again received Mussolini's special attention. In a widely quoted article in the *Nuova Antologia* he refers to the

Italian farmer as the backbone of the Fascist régime. A special decoration, known as the "Star of Rural Merit," has been established in recognition of the leading rôle of agriculture in Italian economic life. Modern scientific agriculture, and what Mussolini calls "rurality," is being encouraged in every way possible in an effort to deflate urbanism, which is "bloodless and declining." Only in the country do the births outnumber deaths and so contribute to Mussolini's idea of a dynamic nation.

In line with the effort to get Italian women to assert their independence of the Paris fashions and in support of the Institute of Modes established at Milan, the *Giornale d'Italia* published a list of certain members of the aristocracy who still patronize Parisian instead of Italian dressmakers. Two of the persons singled out, the Marchesa Esati and the Princess d'San Faustino were Americans.

Claudio Treves, one of the outstanding anti-Fascist exiles and formerly a Socialist leader in the Italian Parliament, died in Paris on June 11 upon his return home from presiding at a memorial meeting in honor of Mateotti, the Italian Socialist Deputy who was murdered in 1924.

At the Vatican, events of the Holy Year were seriously disturbed by the action of the Spanish Government in finally enacting the Church Law. In a vigorous encyclical the Pontiff denounced the unnecessarily harsh measures and called upon all Spaniards to unite in defense of their faith. He declared it to be his duty to reprove and condemn a law so contrary to the divine constitution of the church. At the same time the encyclical makes it clear that the church is not combating political reforms and is quite ready to live in harmony with all forms of government and civil institutions "provided the rights of God and Christian conscience are safeguarded."

THE PORTUGUESE COLONIAL PROBLEM

Anxious over the international situation in regard to her colonies, Portugal has been giving special attention to her colonial problem. Early in the month all the colonial Governors and High Commissioners were called together for a colonial conference in Lisbon. Budgets and taxation, education, transportation and military affairs were the chief items on the agenda. The government decided to build a powerful broadcasting station to broadcast music and songs of a national and patriotic character throughout the colonies. In view of the fact that her large colonial empire contains some important possessions coveted by other powers, Portugal's anxiety is readily understood. As far back as 1895 the abortive Treaty of Windsor between Great Britain and Germany envisaged a partial division of the Portuguese African colonies.

At home the new régime is continuing the policy of the former Ministry by a very successful management of finances. All Treasury bills as they fall due from July 1 on were to be redeemed and no new ones issued. An increase in tariff rates on thirty-two items was reported early in June, many of them seriously affecting imports from the United States.

Central European Union Again

By FREDERIC A. OGG
Professor of Political Science, University of Wisconsin

It was to be expected that the World Economic Conference would bring once more to the fore the oft-discussed proposal for a Central European economic union. Before the conference was two weeks old various indications were given that the matter was again under consideration. After the Foreign Ministers of the Little Entente nations discussed the plan for a Danubian customs union in London on June 20, Dr. Benes and M. Jeftitch left for Paris to talk over the project anew with Premier Daladier and Foreign Minister Paul-Boncour.

While recognizing that a solution of Franco-Italian political differences must come before a Danubian union is possible, Little Entente statesmen were reported to be of the opinion, after the signing of Premier Mussolini's four-power pact, that rivalry in Central Europe between France and Italy was about to be liquidated. The Little Entente emissaries were understood to have been commissioned to tell the French Government that the three affiliated nations favor a Franco-Italian accord, provided the integrity of the Little Entente is not interfered with, and that the three States remain unalterably opposed to a rumored Franco-Italian plan to place Prince Otto of Habsburg on the throne in Vienna and maintain Admiral Horthy at Budapest as Regent, thus creating a "personal monarchy."

A main objective in all the discussions carried on by the Little Entente States among themselves and with their neighbors is to steer Austria and Hungary away from a possible customs union with Germany and to attach them to the Little Entente itself, on economic lines, by tariff treaties. The *Prager Tageblatt* on June 17 printed an interview with Foreign Minister Benes advocating a restoration of Austro-Hungarian union, in an economic sense, as the best way out of the present difficulties of both States, especially Austria.

During May and June the three lesser States that make up the Little Entente—Czechoslovakia, Yugoslavia, and Rumania — satisfied themselves fairly well, on the strength of French assurances, that the four-power pact signed by Great Britain, France, Germany and Italy will affect only questions in which the signatory States, and no others, are interested. Accordingly, they seemed prepared to accept the pact calmly. Poland, however, remained entirely unconverted. In the eyes of both the Polish Government and the Polish press, the agreement is incompatible with the principle of equality of nations on which the covenant of the League is based, and consequently a direct challenge to the democratic system in international relations supposedly won by the sacrifices of the World War. Declaring on June 9 that the pact changes the League system by attempting to set up the supremacy of some States over others, Foreign Minister Beck did not hesitate to assert that Poland would not respect any decision concerning its

interests or affairs arrived at directly or indirectly on the basis of the pact.

POLISH BUSINESS CONDITIONS

Business conditions throughout Poland improved but slightly, if at all, during the first quarter of 1933. Investment activity remained at about one-fifth of the 1928 record; the volume of industrial production dropped on the average by 11 per cent as compared with the preceding quarter; industrial commodity prices showed a general decline. On the other hand, there was some easing of money conditions, and the cost of production declined sufficiently to suggest the possibility of profits with only a slight increase of sales.

The national budget for the fiscal year ending March 31, 1934, provides for total expenditures of 2,457,981,000 zlotys ($275,785,000 at par value) and anticipates total revenues of 2,058,932,000 zlotys ($231,102,000), leaving a tentative deficit of 399,049,000 zlotys ($44,773,000). On account of the extreme uncertainty of the economic and financial situation, all figures are regarded as purely tentative.

The final steps in the ratification of the new Polish-American commercial treaty took place on June 9, when the formal exchange of documents was effected between Foreign Minister Beck of Poland and Sheldon L. Crosby, United States Chargé d'Affaires at Warsaw. John F. Cudahy of Wisconsin, son of the founder of the meat-packing firm of Cudahy Brothers, has been appointed United States Ambassador to Poland.

Hundreds of Polish Jews who had become German citizens, living chiefly in German Upper Silesian frontier towns, have in recent weeks filed application with the Polish authorities for a restoration of Polish citizenship. The Polish-German convention governing minorities in Upper Silesia provides for transfers of citizenship with little difficulty.

The success of the Nazis in securing a majority at the Danzig Senatorial elections of late May, though deplored in Poland, came as no surprise in that quarter, since Free City politics regularly take color from Germany, and on more than one occasion a newly chosen Volkstag has been, in effect, a miniature Berlin Reichstag. Indeed, Warsaw expected an even more impressive Nazi victory, and has voiced lively satisfaction with the firm stand made by the Socialists and Centrists, and especially with the defeat of certain Nationalists who had been conducting a particularly violent anti-Polish campaign.

HUNGARY'S VACANT THRONE

The Legitimists have of late intensified their propaganda for putting "hereditary King" Otto (son of the late Emperor-King Charles and the Empress Zita) on the vacant throne of Hungary. Hitherto the movement has been confined largely to the aristocracy and the upper middle class, but more recently the campaign has been carried to the lower classes as well.

In view of these developments, a sudden trip of Premier Julius Goemboes to Berlin for a conversation with Chancellor Hitler on June 17 set political tongues wagging. It was understood that the movement for the enthronement of Prince Otto was one of the topics discussed, but both a communiqué of the German Government and an official statement issued from Budapest declared that the matters under consideration were chiefly of an economic, rather than a political, character. Premier Goemboes, a

pronounced anti-Legitimist, continued to deride the idea that the Legitimist hopes stand any chance of realization. While in Berlin, the Premier, who commends himself to the Hitlerites in a special degree because of his racial views, was shown unusual courtesies.

Meanwhile, Hungarian political affairs have been given a new slant by the reported preparation of a government bill greatly extending the powers of Regent Horthy. According to rumor, the measure contemplates powers fully equal to those which the King would enjoy if there were one, and the project is interpreted as aiming at a further stabilization of the existing régime and as designed to end all prospect of the enthronement of Otto for a long time to come.

RUMANIAN OIL OUTPUT

A conference of oil producers representing about 80 per cent of the oil production of the world, and including the principal British, American, Dutch and Rumanian interests, in Paris on April 5 renewed for three months an arrangement under which the United States companies undertook to reduce their production to 2,000,000 barrels a day, while the production of other countries, including Rumania, was also limited on a quota basis. The Rumanian producers asked for an increase of their quota, but finally agreed that it should remain at 1,800 tons a day, on condition that the limits imposed on other producers should be observed and that British and American distributers, who handle most of the Rumanian output, should make certain improvements in the service. Alleging that the producers of the United States had not kept within their quota, the Rumanian Oil Association on June 2 notified the remaining interests that Rumanian producers would no longer consider themselves bound by the April agreement.

YUGOSLAV SOCIALISTS REAPPEAR

According to a statement made about the middle of June by Dr. Zivko Topalovitch, leading Yugoslav Socialist, the Socialist party, which since the establishment of the dictatorship in 1929 has been functioning chiefly in an underground manner, is about to come out into the open. The party, argued this spokesman, has a legal right to existence under the law on political organizations promulgated last year; besides, he added, with fascism in the ascendant in much of Central Europe, it is imperative that the Yugoslav working classes have an acknowledged and effective party of their own.

A petition signed by 250,000 Croats in North America and about 60,000 in South America, demanding recognition of the independence of five provinces in Yugoslavia populated mainly by Croats, was presented to the League of Nations, and also to the Disarmament Conference, on June 2.

ATTEMPT TO KILL VENIZELOS

An attempt to assassinate Eleutherios Venizelos, seven times Premier of Greece during the last twenty-three years, failed on the night of June 6, although shots fired by an assailant wounded the statesman's wife and chauffeur.

Recommendations for reduction of expenditures by both government departments and private citizens have been made by the League of Nations committee on Greek finances. A further recommendation for an increase of taxes is not expected to be followed up by the government.

Sweden's Public Works Program

By SIDNEY HERTZBERG

AFTER three months of discussion and negotiation, a comprehensive program for the material curtailment of unemployment in Sweden was approved by both chambers of the Riksdag on June 21. Ever since its assumption of office last September, the Social-Democratic Cabinet, controlling only 104 of the 230 seats in the lower chamber, has sought to reach an agreement with some other party which would assure the passage of its recovery proposals without sacrificing their Socialist complexion. Enough of a community of interest was finally established with the Agrarians to make such a compromise possible. The Agrarian party, with thirty-six members, was the only group other than the Social-Democrats that increased its representation at the last quadrennial elections. Such an alliance in the Riksdag seems to guarantee the tenure of the present Cabinet for at least a year to come.

The program as adopted is credited largely to Finance Minister Ernst Wigforss. It is expected to put 74,000 men to work for one year. It provides for the ultimate expenditure of 288,000,000 kronor. Of this the government at Stockholm will raise 180,000,000; the balance is to be contributed by the local areas where public works will be undertaken. (The par value of the krona is 26.799 cents; the current quotation is about 20 cents.)

The bulk of the government's share, 125,000,000 kronor, will be obtained by the issuance of short-term loans maturing in five years. Short-term government bonds in return for cash will probably be issued to the Riksbank, which is in an extremely strong position at present. Another 25,000,000 kronor will be raised by long-term loans. Of the remainder, 10,000,000 kronor is to come from the current budget and 20,000,000 kronor from the extraordinary budget.

The short-term bonds are to be repaid from the proceeds of steeply increased inheritance taxes. These levies are arranged on a sliding scale and include a basic tax and a surtax. On estates of more than 400,000 kronor, the government will take 54,040 kronor, plus a 20 per cent surtax on the total amount above 400,000 kronor. Estates worth more than 100,000 kronor must pay a basic tax of 16,260 kronor, plus a 24 per cent surtax. On 60,000 kronor estates the basic tax is 13,490 kronor, the surtax 30 per cent. On 40,000 kronor estates the basic tax is 9,890 kronor and the surtax 35 per cent.

The expenditure of the government's 180,000,000 kronor will affect almost every phase of Sweden's economic life. The money is to be used in three ways—for public works, to underwrite private enterprises and for direct relief. The last item is the smallest and it is hoped that not even the 25,000,000 kronor allowed for it will be needed. The second item includes direct loans to small farmers. Public works include railway extensions, elimination of grade crossings, improvement of bridges and harbors, construction of roads and the financ-

ing of a variety of projects designed to aid the small farmer.

One of the most controversial points in the program concerned the rate of wages to be paid for unemployed relief work. Throughout the discussion of the bill the Social-Democrats insisted that the normal wage scale should obtain. They carried this point. Unskilled labor will be paid the prevailing wage in the district where the work is done. Skilled labor will receive the regular union wage. The trade unions won another victory when it was agreed that a member of a union accepting unemployment relief cannot be forced to serve as a strikebreaker in his trade in some other community. On the other hand, workers who strike voluntarily in their own trade will not be allowed to accept temporary employment on relief projects.

Among the tasks which the government undertakes in return for the support of the farmers is to keep the minimum price of butter at 28 cents a pound and to fix the price of this year's wheat at 2.35 cents a pound and of rye at 2.18 cents. There is also to be an excise on margarine of not more than 6 cents a pound and the introduction of restrictions on the importing and exporting of eggs.

While the Social-Democrats were chided for trying to help a poor man by advising him to be a spendthrift, on the whole the program was well and hopefully received. It is in line with the ideas of the "expansionist" school of economics which has a great many adherents in Sweden.

SOCIAL INSURANCE IN DENMARK

A complete reorganization of Denmark's social services will become effective on Oct. 1, 1933, as a result of the action taken by the Riksdag late in May after several years' study of this question. In the future all social services will be grouped under three main laws covering workmen's compensation, general insurance and poor relief. The new legislation replaces fifty-three previous statutes.

As in the past, private companies are authorized to undertake insurance against industrial accidents. But in order to qualify for government recognition, insurance companies other than mutual-aid funds must show a minimum membership of 10,000 workers. This ruling is expected to save about $215,000 in the administration of workmen's compensation.

The general insurance subdivision includes sickness, invalidity and old age. All persons between the ages of 21 and 60 are required to insure with a sickness fund. Among the benefits added by the new legislation are the extension of the cash benefit for childbirth from 10 to 14 days and the attendance of a midwife free of charge. Invalidity insurance also becomes compulsory for all persons between 21 and 60 years of age.

The new law abolishes the loss of privileges and civil rights suffered by those receiving poor relief under the superseded legislation. However, loss of these rights will be incurred when indigence is clearly the applicant's own fault.

The expenditure involved under the new measures is estimated at 203,979,000 kroner ($54,673,322 at par). The largest share, 82,040,000 kroner, is borne by the State. The local authorities supply 67,871,000 kroner, the insured persons 40,618,000 and the employers 13,450,000. (The par value of the krone is 26.799 cents. Current quotations have been around 19 cents.)

FASCIST TRIUMPH IN MEMEL

The elections in the city of Memel on May 23 resulted in an unexpected

landslide for the so-called Christian Socialist Workers Alliance, which has definite Nazi sympathies. Of the 19,140 votes cast, the alliance received 9,860, a clear majority, which entitled it to 20 of the 38 seats in the municipal assembly. However, so small was their expectation of this overwhelming victory that they had nominated only 18 candidates.

The Social-Democratic party's vote dropped from 2,835, obtained three years ago, to 397. It received one seat. The vote of the Communists, who also retained one seat, fell from 3,405 to 1,289. The seven combined bourgeois parties polled 2,745 votes and will control six or seven seats. The Lithuanian bloc increased its vote from 2,180 to 4,510 and will hold nine or ten seats. Apparently many voters from other parties supported the Lithuanian group in the belief that it was the most effective way of combating the Fascists.

LATVIA AND THE NAZIS

A short-lived trade war between Latvia and Germany broke out on June 12 as a result of the declaration of a boycott on German goods by Jewish and Socialist organizations in Latvia. Because the Latvian officials permitted the proclamation of this boycott, the Reich Government prohibited all imports of Latvian butter. The Latvian customs authorities answered by suspending the clearance of imports from Germany pending a decision from Riga on retaliatory measures. For a few days trade between the two countries was at a standstill. The Latvian Government was reported on June 16 to have pledged itself to attempt to stamp out the boycott agitation as well as anti-Nazi propaganda generally. As a result of these concessions, Germany lifted the ban on butter and normal trade relations were resumed. The annual exports of Latvian butter to Germany are valued at about $4,250,000.

ESTONIA'S POLITICAL CRISIS

A bill to reform the Constitution of Estonia having for its principal feature the popular election of a President for a term of four years, was voted down in a national referendum on June 10 by about 330,000 to 160,000. Both the State Assembly and the Cabinet were in favor of the measure. It had been the government's hope that the election of a President whose tenure of office was secure for a definite period would have introduced an element of stability sorely needed in Estonian political life.

Ironically enough, the defeat of the reforms was effected by Socialists and Fascists who found themselves in accidental but unsympathetic unity. On the one hand, the Socialists mistrusted the government's motives and felt that democracy was being threatened; on the other hand, the Fascist groups were thoroughly disgusted with the government's concern for democracy. The Fascists have a proposal of their own on which they want the electorate to vote. They would also establish the office of President. But instead of making him a stabilizing figurehead, they would vest in him many of the powers now exercised by the State Assembly and the Cabinet. Another reform they would like to make is the reduction of the size of the State Assembly from 100 to 50 members. This program, of course, follows the orthodox Fascist line. While the anti-democratic elements favoring it are not yet organized as a political party, their influence seems to be spreading. The most vociferous supporters of fascism are demobilized soldiers and university students.

Soviet Economic Gains

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

AFTER six months of strenuous effort it is evident that the Soviet government is making rapid progress toward a solution of the grave economic problems with which the present year began. The food crisis which attracted so much attention was but one phase of a wide-spread economic recession affecting the principal branches of industry as well as agriculture. (See the article, "Soviet Russia's Fight for Food," by William Henry Chamberlin on pages 553-558.) The development of the Five-Year Program during its first stages had reached a climax when, early in 1932, there set in such a serious decline of production in the key industries that it threatened to nullify the results of the preceding years of gigantic national effort. This threat of a general collapse of the program caused the Soviet authorities to abandon their previously announced plans for further expansion during 1933 and to adopt drastic emergency measures to recover the position reached over a year ago.

A summary of the situation at the end of June shows that these measures have more than accomplished their purpose. Coal output, which had fallen as low as 158,000 tons daily, now exceeds 200,000 tons. The production of iron and steel, which had declined last Fall to 12,000 and 10,000 tons a day, has risen to 20,000 and 18,000 tons. The automotive industries, including agricultural machinery, have doubled their output as compared with the low point reached last Summer. At the end of May freight car loadings had risen to a daily average of 53,000, the highest point reached since the beginning of the Five-Year Program. A general average of the current production in other basic industries, such as cement, oil, chemicals, rubber and railway equipment, shows an increase of some 40 per cent above the low water marks of last year. In all these lines the Soviet Union has not only arrested the decline which began in 1932 but has recovered most of the gains achieved during the first three years of the program.

A review of industrial trends throughout the world published by the Soviet Government on the eve of the World Economic Conference brings these developments within Russia into contrast with the experiences of other countries. Using 1928 as a base it is shown that whereas industrial production in the rest of the world has fallen to 67 per cent, it has risen in Russia to 218 per cent. The report claims for the Soviet Union first place in world production of agricultural machines and tractors, and second place in pig iron, oil and general machine production. Compared with the rest of Europe, Russia now stands first in all these fields of industrial activity.

Similarly optimistic reports are made with regard to Soviet progress in agriculture. By June 15, 96 per cent of the Spring sowing program had been completed as compared with 90 per cent at the same date last year.

The government is especially pleased by the showing of the State and collective farms this year. These "socialized" forms of agriculture representing four-fifths of the cultivated area have completed and in some cases exceeded their quotas of planting, while the individual peasants whose land comprises the remaining fifth of the area have lagged 25 per cent behind the program. The government's objective this year is a total of 237,000,000 acres planted to grain crops. This is less by 13,000,000 acres than the figure set for the Spring planting last year, and 3,000,000 acres less than the area actually planted as recorded in last year's official reports. The grain shortage of the past Winter, however, led to the discovery that the figures of grain planting reported to the government last year had been falsified through a conspiracy of officials in the principal grain producing regions. The government has acted to prevent a repetition of this, first by the execution of thirty-five prominent members of the conspiracy, and secondly by a new system of control and supervision which places every rural district under delegates of the Communist party reporting directly to the central committee in Moscow.

Given favorable weather, the somewhat smaller grain area is expected to return a greatly increased quantity of food crops to the government as compared with last year. According to present estimates grain collections from the coming harvest, after caring for the needs of the urban population and the army, will leave in the hands of the Soviet Government an exportable surplus of some 140,000,000 bushels. To insure full and rapid completion of the grain collection program the Soviet authorities have adopted stringent measures, including suspension of all grain sales in the open market after July 1 until the collectives and individual peasants have discharged in full the grain taxes levied earlier in the year. A fulfillment of the program of grain requisitions will restore to the Soviet Union its former place in the world market at the end of the Summer.

These favorable developments were reflected in the confident tone with which Commissar Litvinov addressed the Economic Conference in London on June 14. He asserted that the depression which has caused the harassed nations of the world to seek escape from ruin through cooperative action is unknown in Russia. The Soviet Union, because of its vast importing power, was pictured as an outlet for the export surpluses of other countries the accumulation of which in world markets is chiefly responsible for the prolongation of the depression. Reducing this general proposal to specific terms Litvinov stated that his government was prepared under certain favoring circumstances to place orders abroad in the near future to a total of nearly $1,000,000,000 distributed as follows: $200,000,000 worth of ferrous metals; $100,000,000 worth of materials for the textile, leather and rubber industries; $400,000,000 worth of machinery, including railway equipment; $85,000,000 worth of agricultural products; $50,000,000 worth of consumers' goods; $50,000,000 worth of equipment for the shipping industry. These purchases, he pointed out, would almost suffice to clear the markets of accumulated stocks and would prove of direct benefit to the majority of the countries represented at the conference.

Litvinov's speech, however, was far from being a straightforward business proposal. It was intended principally to produce political reactions

favorable to the Soviet Union. The moment chosen was conducive to dramatic effect, for he spoke to an audience representing nations in desperate need of export markets, and in the capital of a nation whose depressed metal industries had just suffered serious damage through its government's unfriendly action toward the Soviet Union. Litvinov's introductory statement, that Russia has escaped the effects of the world-wide depression, is certainly not true. A review of Soviet foreign trade over the past four years shows a decline of imports from a high point of $45,000,000 per month to less than a third of that amount during the present year, and an almost equivalent decline of exports. The course of foreign trade is a more accurate barometer of Russia's progress than that of most other countries, because the whole program of her internal development rests on ability to obtain increasing supplies of materials and services from abroad. At the present moment, Russia's primary needs in relation to other nations are political—a more cordial attitude which will accord the Soviet Government the same status in international affairs and the same social and economic intercourse which characterize the relations of modern States.

The Soviet Union, however, has offered some proof of the impressive figures used by Litvinov to indicate its buying power. At the present moment the Soviet Government is engaged in negotiations for heavy purchases in France and the United States. The condition of the transaction in each case—the "favoring circumstances" referred to by Litvinov—is the willingness of these countries to extend long-term credits. In France the negotiations involving some $20,000,000 worth of goods are reported to be going forward with every prospect of success. The French Government is considering a proposal to underwrite in behalf of French industries 70 per cent of the value of goods sold to Russia against the Soviet Union's promises to pay.

In the United States, the Russian trading corporation, Amtorg, approached the Reconstruction Finance Corporation for a loan to finance the purchase of American agricultural products beginning with an initial shipment of 70,000 bales of cotton. On both sides it was agreed that the contract if completed need not imply a change in our policy of non-recognition, and on July 2 it was officially announced that the R. F. C. would advance about $4,000,000 to finance the sale of from 60,000 to 80,000 bales of cotton for shipment to Russia. When the proposal of a loan to Amtorg came before the R. F. C. on previous occasions it was blocked by the requirement that the Soviet notes be underwritten by some responsible group of American interests, since Amtorg, though possessing a charter of incorporation from the State of New York, was held to be the representative of a government with which our official agencies may not form agreements.

America's export trade to the Soviet Union fell from its high point of $132,000,000 in 1930 to $15,000,000 in 1932 as lack of credit forced the Soviet Union to turn to other countries for imports. The United States had so far been the only first-class country whose government failed to provide exporters with a guarantee of Soviet credit. Our need of foreign outlets principally for basic commodities is as urgent as that of any other country. Moreover, we had already an established practice of extending

government credit to finance the commercial transactions of our nationals with foreign governments as indicated by the recent loan of $50,000,000 by the R. F. C. to China. These considerations undoubtedly won powerful support from American business interests for favorable action on Russia's application for a loan.

The restraint and forbearance characterizing the Soviet attitude toward Germany since the advent of the Nazi régime was suddenly abandoned as a result of Dr. Hugenberg's speech in London on June 16. The German delegate's request that the conference support his government's plea for additional territory in Europe was interpreted in Moscow as a statement of a Nazi policy of expansion eastward at the expense of Russia. The Soviet official press responded with a denunciation of Hitlerite Germany which surpassed in violence and bitterness any public expression of Soviet opinion on foreign affairs during recent years. An editorial in *Pravda* contained these bellicose words: "Let the Fascists remember that the Soviet Union is now a great power which can defend itself and can smash back at those who think or talk about the seizure of Soviet soil. Let them remember that our country can organize such a counterstroke as would not only insure the protection of our territory and keep it inviolable, but might leave in our hands slices of the territory of those who attempt to grab Soviet soil by bandit aggression." The attempt of the German Government to disclaim official responsibility for Dr. Hugenberg's statement did not succeed in moderating the violence of Soviet opinion. Through *Pravda* the Soviet Government insisted that "Hugenberg just blurted out what the present leaders of Germany are thinking about and aiming at—in short, it is their program." After many months of tension while the Soviet Union was making apparently sincere efforts to arrive at some basis for peaceful relations with Germany, an aggressive enemy of communism in all its forms, the Soviet authorities have served notice upon the world that there can be no real peace between the two countries as long as they are dominated by two irreconcilable political philosophies.

Relations with Japan in the Far East remain in a state of uncertainty. The Soviet Union, though obviously apprehensive lest Japan's expansion policy in Asia encroach upon Soviet soil, is avoiding any direct attack upon that policy by either word or deed. Conferences are being held looking toward the sale of the Chinese Eastern Railway to Manchukuo; and news dispatches from Tokyo at the end of June suggested that the transaction would involve the surrender of Vladivostok to Japan. Large issues are involved in both proposals which can be settled only by careful and good-tempered negotiation by both parties. If the Soviet Union withdraws her control over the railway a re-formation of her Far Eastern frontier must follow since her exposed position in Vladivostok would then be a source of weakness to her. An apparent surrender of financial interests and even territory coveted by Japan might consequently make the Soviet Union a more formidable enemy of that country in the event of future conflict. While present relations between the two countries require a pacific attitude on the part of each, Russia is not inclined to the show of force against Japan which occurred last year; but the threat of reprisals against those "who attempt to grab Soviet soil" does not lack significance.

The Boom in Palestine

By Robert L. Baker

In the midst of the world depression, Palestine's growing prosperity is remarkable. The little country is experiencing a period of rapid development in every line of human endeavor, which is, in the main, based on solid foundations. There are a number of reasons for this almost unique prosperity at a time such as this. Among them are the influx of large amounts of capital from abroad, totaling $12,000,000 in 1932, a growing population, the application of scientific principles and practical experience to agriculture, business and industry and, last and probably most important of all, the initiative, energy and imagination of the Jewish Agency.

In a land that was apparently destined for little else but agriculture —and even that on an insignificant scale—the Jewish community has worked hard and intelligently for the country's development on better-balanced lines, and the Arabs as well as the Jews have benefited. The Promised Land which Joshua's committee of investigation found to be flowing with milk and honey has become a land that produces fine oranges, potash and electric power, refined oils and matches, cement and porcelain teeth, clothing and leather goods. Above all these activities is the British Mandate Government, serving as a mediator between Arab and Jew, though at times seeming to lean over backward in trying not to favor the Jews. The government is especially concerned to restrict Jewish immigration to numbers that Palestine can absorb, and to keep out improvident settlers. Palestine's banks are gorged with the deposits of well-to-do refugees from Germany, Poland, Rumania and other countries, and these funds are invested as rapidly as sound opportunities arise. Apart from the persecution in Germany, Poland and elsewhere, and the resources of the Jewish National Fund, Jews abroad have found it to their advantage to invest their money in Palestine because the country has been off the gold standard and currency has been nearly 50 per cent more valuable when transferred.

In agriculture great progress has been made in the growing of citrus fruits, mostly along the formerly barren coastal plain. Land development organizations have taken up large tracts and, after parceling them out to investors in plots ranging up to a hundred acres, they undertake to drive wells, plant trees and even to market the products if the investors so desire. Up to 1931 the production of oranges ranged from 1,500,000 to 2,000,000 crates annually. In that year production jumped to 3,000,000 crates and last season to 4,250,000. The forecast for the 1933 season is 6,000,000 crates. As trees are still being planted in large numbers, it is expected that the figure will reach 10,000,000 crates within a few years.

By-products are being utilized and Palestinian fruit syrups are finding markets not only in the Levant but also in Europe. Grapefruit trees have been planted and when they begin to bear a European market will easily

be found to absorb the whole production. Much of the success of citrus fruit growing in Palestine is due to the modern methods of cultivation employed by agronomists who were trained in California. The value of land, in the cities as well as in the orange-growing districts, has risen tremendously—a characteristic of booms. Plots in the maritime plain now bring as much as $500 an acre.

The industrial development of Palestine has almost kept pace with the growth of agriculture. Though there are in all about 4,000 manufacturing establishments, most of them are small and only about 600 can properly be called factories. The new Jewish city of Tel-Aviv, with a population of more than 60,000, which is growing at a rate of 12,000 a year, is the centre of manufacturing. Here are produced bricks, tiles, furniture, machinery, shoes, textiles and other goods, though many of the raw materials must be imported. A cement plant at Haifa is kept busy supplying the demands of construction projects that are under way in all parts of Palestine. Since the Jordan was harnessed the Palestine Electric Corporation furnishes power to industries and homes throughout the country. At the present rate of industrial expansion Palestine bids fair to be almost entirely free of the need of importing manufactured products, and already considerable quantities of such goods are being exported. With the imminent completion of the deep-water port at Haifa, the general improvement of communications and the completion of surveys for the projected Haifa-Bagdad Railway, it seems likely that Palestine will occupy an increasingly important position in Near and Middle Eastern trade. Labor conditions, too, are at present good because of the construction of the pipe-line from Haifa to the Mosul oil fields, and because of the boom in building.

Zionists and Jewish circles generally were shocked to learn of the murder at Tel-Aviv on June 16 of Dr. Chaim Orlosoroff, a brilliant young Labor member of the Jewish Agency Executive. The crime was committed under cover of darkness so that the police have few clues to work on. Many Laborites believe that the deed was committed by members of the Zionist Revisionist party with which Dr. Orlosoroff had been at odds for several months. Opinion generally, however, held to the theory that an Arab group with Communist sympathies was responsible. The government offered a reward of £500 for information leading to the arrest of the murderers, and the Jewish Agency offered a reward of £1,000. Dr. Orlosoroff's funeral on June 18 was marked by a procession of 70,000 mourners.

NEW TURKISH TARIFF

Without previous warning the Turkish Government on May 31 promulgated and put into effect a new tariff schedule that bears heavily on imports of manufactured goods. According to the customs law in force up to that time import duties could be changed only on three months' notice except in the case of certain articles under extraordinary circumstances. The new law simply states that no delay is to be observed and that increases and decreases are to become immediately effective. As a result the import business was temporarily paralyzed. Many of Turkey's commercial treaties as well as the former domestic customs law provided for three months' notice of a change in duties, and it was reported that the German Chargé d'Affaires at once

protested against the violation of the Turco-German treaty, which contained that protective clause. Whether the Turkish Government was applying the new law as a *ballon d'essai* or simply failed "to make haste slowly," it found it necessary on June 7 to announce that the application of the new law was to be delayed for the customary three months in the case of products coming from countries with which Turkey had concluded commercial treaties. But the incident is illustrative of the determination of the Turkish Government to maintain at all costs the dearly won balance of trade.

English is to replace French as the principal foreign language taught in Turkish colleges and schools, in accordance with a decision of the Turkish Government. The new regulation will go into effect later this year. By another rule just issued by the Ministry of Public Instruction every elementary school child throughout the republic must each morning recite the following "creed": "I am a Turk, honest and industrious. My duty is to protect those weaker than I, to respect my elders, to love my country sincerely. My ideal is to raise myself higher and to continue in the path of progress. I make a gift of my existence to the existence of Turkey."

Robert P. Skinner was on June 12 named as Ambassador to Turkey to succeed Charles H. Sherrill. Mr. Skinner, a career diplomat, is now American Minister to Finland.

THE EGYPTIAN DEBT

Egyptian public opinion is still aroused over the manner in which payments on Egypt's foreign debt are to be made. Viewed as legal contracts, these obligations should be redeemed in gold, and the French and Italian Governments, whose nationals hold a considerable share of Egyptian Government and bank bonds, are insisting upon a literal compliance with the engagements. Egypt, however, went off the gold standard in September, 1931, in sympathy with the British action and, in view of the depreciation of her currency, payment in gold would penalize her about 30 per cent. With the hearty approval of the press, the government has refused to pay the service on its bonds in gold. In January the Mixed Court at Cairo ruled that payment must be made in gold. The British Government and press are inclined to make allowance for the equities in the situation and to appreciate Egypt's sense of the injustice of the demands of her French and Italian creditors, especially in view of the action of those governments in regard to certain of their international obligations.

Great Britain's position in the controversy is quite embarrassing. On the one hand, she is expected, because of her special position in Egypt, to protect foreign interests; on the other hand, her anxiety to maintain her reputation for justice makes her reluctant to do anything that might give reason to the nationalist accusation that she abets foreign exploitation. The decision of the Cairo Mixed Court has been appealed and later in the year the higher Mixed Court at Alexandria will review the case. Should it reaffirm the decision requiring gold payment, Great Britain would be under a moral obligation to press the Egyptian Government to abide by such ruling. The British are sincerely hoping that an acceptable compromise can be reached between French and Italian bondholders and the negotiators of the Egyptian Government.

Yet the question is complicated by a number of factors, the most important of which concerns the Crédit

Foncier Egyptien, the most important French bank in Egypt. This institution is in the awkward position of having to redeem the coupons of its bondholders in gold, while it at present receives depreciated Egyptian pounds on its large investment in Egyptian Government bonds. Its administration has attempted to escape from the dilemma by winning a court ruling that it might pay its obligations in sterling, but it has lost decisions on the question in both Egypt and France.

KING OF IRAQ IN EUROPE

King Faisal of Iraq left Bagdad by airplane for Europe on June 5, taking with him his Ministers of Finance and Economics. The purpose of his visit to London, his ultimate destination, is to discuss a number of economic topics with the British Government. It is expected that these will include the British ownership of Port Basra, the Iraqi railways and the Iraqi debt. The royal party arrived in London on June 20 resplendent in the state uniforms recently designed by an English tailor and delivered to Faisal and his Ministers at Ostend.

ANGLO-PERSIAN OIL PACT

The agreement between the Anglo-Persian Oil Company and the Persian Government for a new concession was ratified by the Persian Mejlis (Parliament) on May 28. Shah Riza Khan Pahlevi signed the agreement the following day when it came into force.

Britain and Japan Become Rivals

By TYLER DENNETT
Professor of International Relations, Princeton University

JAPAN and Great Britain a generation ago were what may be described as "natural friends," if one is willing to adopt the convenient and sound though somewhat "cannibalistic philosophy" of nationalism. In those days the two nations had common interests in their desire to keep open the trade doors in China, in their opposition to Russia and in a similar co-operative policy in the Pacific. Today the situation is quite changed. Japan and Great Britain are now clearly "natural enemies"; they are engaged in no common effort anywhere, and, over a very considerable portion of the earth, they are relentless competitors. They compete for the carrying of trade, for naval supremacy in the Far East and, most of all, for many markets where a generation ago Great Britain had to fear only Germany.

Japan's most dependable outlet for manufactured goods is not in America, where silk is a luxury and subject to fickle fashions, but in Asia and Africa, where cheap cotton garments are all one style and the alternative to wearing them is nakedness. Here Japan and Great Britain have come to grips with results that make it not difficult to plot the curve of Anglo-Japanese relations for the next generation. A trade war has been developing not merely in Manchuria and China, where Great Britain is powerless to influence the results, but in Malaya, in East Africa and in India, where British industrial interests still can influence the tariff. Already Lon-

don has informed Tokyo that at the expiration of six months the most-favored-nation clause shall not apply in British West African colonies, while the government of India has imposed an additional duty on Japanese imports, from 75 to 87 per cent on cottons. Now comes the government of the British Federated Malay States with new duties on low-grade products ranging from 30 to 80 per cent. Thus the lines are closing in on Japan which is almost certain to adopt retaliatory measures. The last catastrophe desired by the Japanese Government just now is a tariff war with Great Britain, but to Japan cotton exports are a matter of life and death. Tokyo has asked for a trade conference at Simla, but the impatient Japanese cotton spinners propose a boycott on Indian raw cotton. It is hardly to be expected that the Japanese Foreign Office, having so long urged that the anti-Japanese boycott in China is a violation of the Sino-Japanese commercial treaty, will extend its public blessing to the proposed cotton boycott, but on June 9 it was reported in Tokyo that the government "does not intend to interfere," which is precisely what the Nanking Government did not do in China.

"The Menace of Japanese Competition" is the title of a report recently issued by the Federation of British Industries in London. It is estimated that another 15,000,000 or 20,000,000 is likely to be added to Japan's population in the next twenty or thirty years, and only a fraction of this increase can be fed from Japanese domestic resources. "It is inevitable that Japanese competition must become increasingly intense," the report says, adding that a reckless national sales policy was deliberately instituted when the yen depreciated, with disastrous results on British and other markets, where tariffs were useless to stem the flood of goods produced under "Japan's primitive labor conditions of long hours and low wages."

Sir W. H. Davidson, a member of the British Conservative party, which has been traditionally friendly to Japan, declared in the House of Commons on June 1 that in Malaya, which previously was a British market, Japanese print goods, sold at 4 cents per yard, are able to supply 75 per cent of the demand. The average female operative's wage in Japan is now, because of the currency depreciation, about 18 cents a day. The rate paid in Great Britain is from eight to ten times as much.

Equally disturbing to Anglo-Japanese relations is the Japanese demand at Geneva for naval parity. Parity in the Far East and South Pacific means not parity at all but a Japanese naval supremacy which would cast its long shadow westward across the Indian Ocean as well. Japan has a colonial empire to defend and trade arteries to protect. They lie, in part, in what were only a few years ago unquestioned British trade preserves. Now Japan has as much reason for seeking to maintain and extend her position as Great Britain had when she fought the second Afghan war or when she fortified Zanzibar, or, more recently, when she laid out the Singapore naval base. Let us, therefore, keep in mind the fact that today Japan and Great Britain, so recently effusive partners in the famous Anglo-Japanese alliances, are no longer "natural friends"; today they are "natural enemies."

THE LEAGUE AND MANCHUKUO

The League of Nations has fired another feeble shot at Manchukuo. The subcommittee on non-recognition of the new State on June 2 adopted a

report proposing to all members of the League a schedule for the application of the Stimson non-recognition doctrine. It recommended that Manchukuo be excluded from international conventions such as those on posts, telegraphs and radio; that exchange of currency be refused; that passports be accepted only as identity papers; that the retention or replacement of consuls be not regarded as recognition of the new government; and that the acceptance by foreigners of positions or concessions in Manchukuo be only at their own risk. The report was adopted by the full advisory committee in a fifteen-minute session on June 7. A week later the Secretariat sent out a circular submitting the recommendation for the approval of the members of the League. Japan has thus received another slap on the wrist.

Throughout the discussions in the committee and the subcommittee at Geneva, Hugh Wilson, the American Minister to Switzerland, who was officially designated by the United States Government to represent it in the deliberations, by instruction from Washington, sat silent. Thus has come to pass what was predicted in these pages nine months ago as probable—another ludicrous fiasco of American policy in the Far East; another fit, another start, and then quiet retreat. American evangelists of the League again seek to point the moral that its failure is solely due to the failure of the United States to accept League membership. A more obvious moral is that neither the United States nor the members of the League are prepared to make a matter of "international concern," to quote the language of the covenant, out of remote affairs which actually do not now vitally concern them at all.

AMERICA AND JAPAN

American relations with Japan since Viscount Ishii's visit to Washington continue to improve. Despite the resentment that was felt by Japanese at the concentration of the American fleet in the Pacific, when Admiral Montgomery M. Taylor, on a United States cruiser, visited Tokyo, during the first week of June, he was greeted with much ceremony and cordiality. Received by the Emperor, dined by Prince Fushimi and Prince Osumi, as well as by the Mayor of Yokohama, the Admiral was introduced as one whose "balance of mind and judgment and fairness" were the chief elements preventing complications during the Shanghai incident. It is understood that the prevailing sentiment in the American Navy in the Far East throughout the Manchurian incident has been not unfriendly to Japan.

Japan desires to follow up its diplomatic successes in Washington by negotiating a new arbitration treaty. The Rengo News Agency reported in Tokyo on June 9 that Viscount Ishii proposed such a treaty to President Roosevelt and that the latter assented in principle. Washington promptly denied that any negotiations were actually in progress. The Japanese seem to feel that the signing of such a treaty at this time would tactically improve their position in dealing with the British commercial problem.

SOVIET-JAPANESE RELATIONS

After preliminary conversations in Moscow the formal negotiations for the sale of the Chinese Eastern Railway to Manchukuo opened in Tokyo on June 26. The effect of such an agreement, provided it can be made between the Soviet Union and Manchukuo, will be to secure for the new State the first international recogni-

tion apart from that of Japan. For that reason it would appear that Japan could well afford to be liberal as to the terms of the purchase. The extremes are $175,000,000 proposed by Moscow and $12,000,000 to $25,000,000 offered by Tokyo. With such a spread it is obvious that there is room for the introduction of political considerations as a substantial part of the agreement.

The Russian Coast Guards in Kamchatka are having with the Japanese fishermen in motor boats difficulties similar to those which the Filipino Coast Guards have had in the Philippines. Three Japanese fishermen were shot on June 15 while trying to land near Cape Origa. The Japanese Government asked permission from Moscow to dispatch the Japanese consul from Petropavlovsk on a destroyer to investigate. When the request was refused, the destroyer went nevertheless and sent out a landing party. The Soviet Vice Commissar for Foreign Affairs protested vigorously to the Japanese Ambassador, Tamekichi Ota.

As a sop to China the United States Government, through the Reconstruction Finance Corporation, has agreed to lend $50,000,000 for the purchase of American cotton and wheat, in the proportion of four to one. The terms of the loan are 3 per cent interest, complete repayment in three years, with warehouse receipts and certain consolidated Chinese excise taxes for security. The loan was arranged by Dr. T. V. Soong, Chinese Finance Minister, when he stopped in Washington, en route to the World Economic Conference. The more raw cotton China can buy in America the less she will buy in India; the more cotton cloth she can manufacture herself, the less she will buy in Japan, Great Britain or the United States. The British are not very happy about the deal, but the Japanese are saying nothing; they also have done rather well in Washington recently. The Southwest Political Council in Canton has protested that the loan will be spent to defend the Nationalist régime at Nanking. In the latter capital it was announced that the loan will be used only for productive purposes.

Flood and famine are taking their annual toll in China. For some weeks both the Yangtse and the Yellow Rivers have been rising dangerously. The city of T ingjen, 400 miles southwest of Hankow, has been destroyed, and the floods are pouring into the Yangtse through various streams. The Yellow River, where it turns sharply east at Kaifang, is threatening to return to its old bed, which it left in 1852, and find its outlet to the sea by way of Suchow and the channel of the Hwai River, hundreds of miles south of the present mouth in the Gulf of Chihli. Meanwhile, in Shensi Province famine and even cannibalism, due to drought, are reported in an area of 120,000 square miles. The famine in Shensi has lasted since 1928. Since that date it is estimated that no less than 3,000,000 people have died of starvation.

CHINA'S DWINDLING AREA

What is China today? At the Washington conference a dozen years ago, when this same question was asked, Wellington Koo was able to answer by reading from the Chinese Constitution the definition of the boundaries of the republic. What is China now? Obviously it does not include the three Eastern Provinces, described on the maps as Manchuria, nor does it include Jehol. It does not include, for all practical purposes, Outer Mongolia, which enjoys autonomy under a government more closely related to Moscow than to Nanking. Nor can

China claim any substantial relation to Chahar, where General Feng Yu-hsiang at Kalgan, although at the mercy of Japan if the latter chooses to move in that direction, need not fear Chiang Kai-shek.

If by China one means the Nanking Government, the zone north of Tientsin and Peiping, which was demilitarized by the treaty of Tangku and from which the Japanese are now withdrawing, may also be described as substantially lost. This zone will be administered by Chinese but under Japanese surveillance. South China, with its autonomous government at Canton, is likewise free—more independent of Nanking than Cuba is of Washington. A compromise has been reached between Nanking and Canton by which the latter's military subsidy has been increased and the Cantonese troops have retired frcm the north.

There is, in addition, a revolt in distant Chinese Turkestan from which the Chinese Republic has never yet received any revenue. After a six months' lull fighting has again broken out in Szechwan, where Governor Liu Wen-hue, professing loyalty to Nanking, is challenged by Ting Shi-ho. Intense fighting is under way thirty miles northwest of Chengtu, the capital of the province. It is also officially reported that the Dalai Lama in Tibet is renewing w rlike preparations with the probable intention of attacking the Sikong area of Western Szechwan.

On the other hand, the Nanking Government has profited by the Japanese campaign in the sense that where its writ runs there is greater unity than there was two years ago. The Young Marshal has been eliminated. The minor Northern Generals have disavowed a purpose to join General Feng against either Japan or Nanking. The danger that the Cantonese would upset Chiang Kai-shek seems for the present to have disappeared. Moreover, the so-called Communist movement in the Yangtse Valley, against which General Chiang has thrown all his resources, is not spreading. Wilbur Burton, who writes sympathetically in the Baltimore *Sun* of Chinese communism, concludes, after close analysis of the facts, that "there is no prospect of a Communist triumph in China at any time in the predictable future." Every outstanding Communist leader has either recanted or has been killed. While the movement has had considerable success in the rural areas it has failed in the cities and lacks the proletarian basis which Marxian communism must possess to succeed. One reason for the failure of communism in the ports which are the great industrial cities of China is the fact that over these areas the foreign gunboats exercise potential control.

SIAM'S BLOODLESS REVOLUTION

Siam has just undergone a second bloodless revolution within a year. Seizing the opportunity when King Prajadhipok was absent from Bangkok, some soldiers and sailors took possession of the city at 5 A. M. on June 20 and quickly returned to power the radical leaders who had been ousted after the coup of June 24, 1932. The Commander-in-Chief of the army led the uprising. The King had on April 12 suspended the new Constitution on the ground that the reformers were communistic in their convictions. Following the second coup of June 20, the revolutionists sent a prompt message to the King assuring him of their loyalty and he immediately accepted the new government, which is expected to readopt the reform program of Luan Prodt, who was the leader of the revolt a year ago.

CURRENT HISTORY

SEPTEMBER 1933

Redraw the Map of Europe?

By ALBERT GUERARD

Professor Guérard of Stanford Univer-y is a Frenchman by birth and educa-n, who has been teaching in American lleges since 1906, his special subject ing French civilization. " am abso-ely free," he says, "from any entan-ment with the French Government or y French group or agency. I am not candidate for the Legion of Honor, and en I write it is as a thorough Ameri-n, but one who refuses to lose the nefit of a French education."]

EUROPE is divided into two camps—one defends the territorial status io; the other challenges it. Quite art from personal bias, the liberals England and America favor the re-sionist cause. But between "revi-on" as a wise and generous policy id the claims and threats of certain 'evisionists," there may be an abyss. ot all our liberals, for instance, are full agreement with the vigorous ethods by which Japan is pursuing ie revision of treaties relating to hina. Revision is not an ideal in it-lf, but a method for securing greater stice without endangering peace. If ie means should destroy the end, our ith in revision would have to be re-terpreted.

The first objection to the revisionist movement in America is that it sails under false colors. It does not seek to revise the Paris settlement, but to abolish it altogether. The true revisionists are the defenders of the treaties, for, rare if not unique among diplomatic instruments, these treaties, through the covenant with which they are linked, admit the possibility of adaptation to changing circumstances. There is a certain Article XIX which should not be overlooked; and sincere revisionism would consist in advocating its generous application.

Those who want to demolish utterly the work of the Paris Conference belong to three groups. First of all, there are the German Nationalists. On this point there is no difference between Junker and Nazi. For them, the Central Powers were absolutely in the right from 1914 to 1918. Their defeat was due to a campaign of lies which arrayed the whole world against them, and which encouraged traitors in their own ranks. The revolution of Nov. 9, 1918 was a crime—a stab in

the back of the struggling Fatherland. The German Republicans have at last been driven from power; some of them have been sharply punished; their ignoble flag is gone; and with the "Shame" of Nov. 9 the consequent humiliation of Nov. 11 should also be wiped out. It is a thesis to which the merit of consistency cannot be denied. Chancellor Hitler is a much clearer thinker than some of his American allies.

The second group is that of the English and American radical pacifists, who tried to keep or to take their respective countries out of the war. Because they hated the method, they came to hate the cause in whose service the method was used. So their pacifism was hard to distinguish from deliberate hostility to the Allies, and therefore from pro-Germanism. "Stop this horrid war!" was their cry, even if at the time stopping the war meant a German victory. Since then they, too, have learned nothing and forgotten nothing. To fight Germany was a hideous mistake. We should repent, rescind our declaration of war, undo some of the harm we have caused. The German Imperial Government and its legitimate heir, the Hitler dictatorship, would, in all fairness, be entitled to an apology, even to a compensation. The least we can do is to help Germany tear up a treaty which could not have been imposed upon her without our assistance.

This also is consistent, but consistent in wrong-headedness. It made outstanding pacifists during the war the best agents of a confessedly military régime which abominated their principles. It has compelled professors of history to demonstrate that in 1914 it was Serbia that bombarded Vienna, not Austria that first shelled Belgrade; that the Belgians had ruthlessly marched into Germany; and that the Kaiser's troops, not the French, had prudently withdrawn ten kilometers into their own territory. By the same "consistency," our radical weeklies were bound to turn against the spirit of Locarno. Locarno implied, first of all, the acceptance and fulfillment of the treaties; and later, as a result of growing reconciliation, mitigating and transcending the treaties altogether. Locarno was Briand, and no Nazi paper could be more bitter in its hatred of Briand's France, "the enemy of mankind," than our leading exponent of peace and ill will. One hand waves the palm; the other clasps the mailed fist.

The third group occupies a more equivocal and more precarious position. It believed that the Imperial German Government was wrong not merely in August, 1914, but in its very essence. It believed that Wilson's Fourteen Points provided a workable basis for a just peace. It believed that, in rejecting Kaiserism and accepting Wilson's terms, Germany had at no small sacrifice joined the comity of democratic nations. A dictated peace, a peace founded solely upon victory, a peace untrue to Wilson's principles, was a betrayal and deserved to be repudiated. It made fools of the Germans, and it made rather worse fools of us, Wilson's naïve followers. This group, which we may call the orthodox Wilsonian, or even the ultra-Wilsonian, united with the pro-Germans, the pacifists and isolationists in defeating treaty and covenant, both in Senate and country. It was a strange coalition of incompatible elements, but it proved irresistible in its heterogeneity. From this original confusion of thought, it is extremely difficult to escape.

There is no doubt that technically

Versailles was a dictated peace. Strangely enough, no one seems responsible for the momentous step of not admitting the Germans to the Paris conference. It was simply taken for granted. If the intention was to save time, it has monstrously miscarried. It avails little to say that the Treaty of Versailles was less brutal than the Treaty of Bucharest or the Treaty of Brest-Litovsk, less ruthless in all likelihood than a peace dictated by a victorious Kaiser would have been. The aim of the war was not to give the Germans a taste of their own medicine—the Bismarckian prescription, "Blood and Iron," but a taste of ours—Dr. Wilson's electuary. There are no valid extenuating circumstances. As a result, Versailles is vitiated in its very source; and everything in the settlement that is based on victory alone, everything that is contrary to the principles we professed, and to which the Germans had rallied, must be expunged as completely as possible. In their haste, the Big Five spoiled an excellent moral case, and their attempts to deck themselves at the same time with shreds of Wilsonian righteousness and with the barbaric trappings of military triumph were frankly nauseating.

But because an initial mistake was made, a mistake which should be acknowledged and atoned for, it does not follow that every single item in the peace treaties is wrong. To reject Versailles root and branch on that plea is the mark of praiseworthy idealism, but also of rather crude logic. It is no paradox to say that, far from being "the worst peace ever devised," Versailles is not a bad treaty, as treaties go. It only looks bad in comparison with our legitimate hopes.

It was imposed, no doubt, but under politer forms perhaps such is inevitably the case after a decisive war. We were chivalrously fair to defeated Spain, but we courteously relieved her of everything she had, including Puerto Rico, which had not rebelled. France had very little to say in the "discussions" of Frankfort. In 1814, as soon as France had abandoned Napoleon and returned to her legitimate King, she became, in fact, one of the allies so lately in the field against her; Talleyrand took his place in her name at the Congress of Vienna as an equal, and soon as one of the leaders. But for all this scrupulous consideration, the Allies divested France of all her conquests. After 1815, in spite of the Allies' generosity, France was as greatly embittered by the loss of her so-called natural frontiers as Germany is today. In peace conferences there is not genuine discussion except after a stalemate.

The Paris peace conference of 1919 offered a unique opportunity for a "peace without victory," that is, a peace not based upon the irrelevant fact of victory. No "might is right"; no chaffering, no dickering; plain justice.

This great opportunity was lost, but not wholly lost. If the Germans were not admitted to the discussions, Wilson himself was present, and certainly did not take a back seat. The Fourteen Points were not left without an advocate. The unanimous verdict of the European conservatives was to condemn Versailles as a Wilson peace; Foch and Poincaré never forgave Clemenceau for assenting to it. Our Senate rejected it, not because it was harsh and unjust, but because the covenant laid the foundations of a world commonwealth. Our separate peace with Germany did not even seek to mitigate the worst features of Versailles, but endorsed them all. Even

those of us who claim that we agreed with Wilson far better than he agreed with himself, cannot deny that the Versailles "monstrosity" bears at least an embarrassing likeness to its idealistic father. In comparison with what might have been, Versailles is a bitter disappointment; in comparison with a purely vindictive peace, it shines with a subdued light which is not wholly satanic.

This is the common sense of the matter, and is recognized as such by the sanest and most moderate of observers, such as Sir Arthur Salter. Those who damn Versailles and its satellites beyond any hope of redemption are purely and simply fanatics. It was not in order "to tear the living flesh of Germany" that Poland was resuscitated; it was out of belated justice to Poland. It was not in a spirit of blind revenge that the Habsburg Empire was shattered; it had fallen of its own accord, and all the Allies' tanks and all the Allies' men could not have pieced it together again. It is not in every "cruel and vindictive peace" that we find plebiscites taken, four of which decided in favor of the defeated; the rights of minorities protected, and a definite path open for the consideration of every grievance.

Nor did this promise of revision remain a pure theory. The Allies are accused of wanting to "freeze" the settlement of 1919. As a matter of fact, few treaties of any importance have been so rapidly and so radically modified as the "sacred" peace of Versailles. It is a plastic peace. Lloyd George's mean and demagogic nonsense ("Hang the Kaiser! Squeeze 'em till the pips squeak!") was eliminated, and at present that astounding acrobat is posing as the champion of a just and moderate peace. When Holland declined to give up the imperial refugee, the Allies, greatly relieved, did not press the point, and one essential part of the treaty, the punitive clauses, went by the board. For the vague and unworkable financial articles, the Dawes Plan and next the Young Plan were substituted, and, finally, the Lausanne agreement ended the whole chapter. More flexible-minded than we, the Allies have learned at least the lesson of *The Great Illusion.* The Alsace-Lorraine problem was finally disposed of at Locarno. Not under a dictated peace, but by a free and equal compact Germany agreed to recognize and even to guarantee the present frontier of France. Germany was admitted into the League not through a back door but with the privileged rank of a major power, denied to China, Brazil, Spain, Poland. The Rhine was evacuated long before the stipulated time, and for the unequal disarmament that prevailed after the war, a new régime of *Gleichberechtigung* (equality of rights) has been accepted in principle and is being worked out in fact. When, as M. Sarraut hinted might be done, Germany is given her share in the development of tropical dependencies, the last inequality will have disappeared and with it the last legitimate grievance. Had we not so recklessly fanned the German spirit of revenge, this process of gradual revision could have been completed years ago.

Revision through reconciliation was the only safe policy for the German Republicans to adopt. Sincere or Machiavellian, it was that of Stresemann. Unfortunately, out of mistaken cleverness, the Republicans sought to steal their opponents' thunder and to be as *revanchard* as they—a suicidal move on their part. If you admit the Nazi principles, the Nazis are the logical men to carry them out. Twice the

French Republic had to face a Nazi-*Revanchard* crisis—in 1888, with General Boulanger; in 1898, with the anti-Dreyfus agitation. Twice the men of peace were able to curb the fire-eaters, and, paradoxical as it may seem, twice Clemenceau the patriot was found among the leaders of the anti-militarists.

The revision we have been discussing should mean: "Back to Wilson! Back to the Fourteen Points, which were the moral basis of the armistice and the charter of the new world!" The revision which is advocated today means destroying the last traces of the Wilson spirit. It was Wilson who, in spite of secret pacts, insisted that some measure of justice be given to Yugoslavia; that Dalmatia, in which the Italians are an infinitesimal minority, should not go to Italy. If Italy at present is the leader of the revisionist movement, it is not because any injustice was committed against her, but because she is not satisfied with the very substantial injustices committed in her favor. Southern Tyrol is German; Istria is Croatian and Slovene; the Dodecanese is Greek. Revision should be an appeal to an impartial tribunal, before which the rights of the weak shall be no less sacred than those of the strong. What is sought at present under the name of revision is the removal of the last obstacles from the path of the strong.

"No peace which Italy and Germany find intolerable deserves the name of peace! Mighty nations cannot be kept forever in bondage by the paper ties of Versailles!" No, they must be set free—free to enslave others. Germany must be allowed to suppress the "preposterous" Polish Corridor, which was Polish when it was grabbed by Frederick the Great, remained Polish under Prussian rule, and is more Polish than ever today. Germany and Italy must have parity—all the rights and privileges of great powers, which include the right to dominate. Like Austria in 1914, like Japan today, they must be allowed to have their little wars in peace, and virtuous Americans feel indignant against those provoking Poles who deny the God-given right of the Prussians to lord it over them. Poland and the Little Entente must be brought to their senses; they must realize the fact that "minor nations" have no right against "major nations."

When the evangelical Mr. Ramsay MacDonald endorses Mussolini's plea for revision, does any one imagine that a revision on judicial grounds is intended? Is there even a hint of the possibility that, in all fairness, the frontiers might be altered to the benefit of the weak? Is it not perfectly understood that the sole purpose of revision is to give satisfaction to the strong, simply because they are able to threaten, because they are strong? Japan needs no better title to the possession of Manchuria.

No peace imposed by force is a perfect peace, whether the victim be Poland or Germany. Granted. Europe was uneasy for half a century after the fall of Napoleon, because the treaties of 1815 had been imposed upon France. At every crisis a coalition was in readiness to restrain France, the unruly member. Every new French Government had to give formal assurances that it would respect, much as it might dislike, the settlement of Vienna. An unpleasant state of affairs, no doubt. But would the cause of peace have been better served if France had been encouraged to reconquer Belgium and the left bank of the Rhine? In many cases the first step to peace is not the lifting of

constraint, but the giving up of unjust claims.

No doubt a "Club of the Big Four" could secure readjustment with a minimum of bloodshed. The boundaries, we may be sure, could not be shifted without the ministration of tanks and bombing planes, but what chance would the Little Fellows have against four World Powers? And the Big Four could maintain the new order for a while against any challenge. Thus, in 1772, 1793, 1795, did the Big Three—Russia, Prussia and Austria—settle to their own satisfaction the ever vexing Polish problem, and settle it for 125 years. It is a Frederician, a Napoleonic, a Bismarckian solution. But such cynicism might not pay. The Big Four might fall out among themselves; such things have happened to confederates united solely by the spirit of loot. One or more of them might come into conflict with some outside power like the Soviet Union, and it would be odd to see Russia reappear in Panslavic guise to free the Poles and the Serbs. Then two of the Big Four are dictatorships; for all their bluster, their health is precarious. A revolution in Rome or Berlin would be followed at once by a rebellion of the alien elements. France and Great Britain might "enjoy" a decade of respite, full of remorse and misgivings, but only as a lull before Armageddon.

Only a handful of Tolstoyans would go to the full length of absolute anarchy and suppress the policeman as well as the soldier. Ultimately international law will need the backing of an international police, just as municipal law rests upon the power to enforce. Moral suasion is the one weapon that does not affect the hardened delinquent. But if the law needs force, force is legitimate only as a last resort in the service of the law. When force dictates the law, we revert to barbarism.

The tragic situation in Europe is not due to unsatisfactory frontiers. There is no more unsatisfactory frontier than the one between Belgium and France; it cuts across the linguistic boundary and the normal channels of trade; yet it is as safe and peaceful as our own Canadian border. The root of the evil is nationalistic pride and the refusal to give up force as a means of redress. Germany and Italy have signed the Locarno agreements and the Kellogg Pact; security ought to be assured. But security is further away than ever, because Germany and Italy have made it perfectly plain that their renunciation of war was meant in a strictly Pickwickian sense. The fiery eloquence of their leaders and the rattling of their sabers can be distinctly heard across the Atlantic. They want territories now in the possession of others; they are constantly pledging themselves to the conquest (or recovery) of these territories—by peaceful means, if possible. Their ambitions are absolute; their pacifism is relative. There can be no genuine peace until these terms are reversed.

Let us have this moral disarmament, this unconditional renunciation of conquest, and material disarmament will follow without effort. The Canadian border is safe, not because it is unprotected, but because Great Britain long ago gave up any desire to coerce her rebellious colonies back into the fold. The Franco-Belgian frontier also is unfortified, except against third parties, because France no longer covets Brussels and Antwerp, while Belgium has relinquished her historical claims to Lille and Dunkirk. The German-Polish frontier could be made as safe tomorrow if, like the Canadian border, it were un-

equivocally accepted as the final one.

The suicidal economic nationalism of post-war Europe is the result of military fear. A nation whose territory is not threatened could afford to adopt a free-trade policy; a nation which may be attacked at any moment must be as self-contained as possible. It cannot leave its food supplies or its vital industrial resources in the hands of a potential foe. From the business point of view these tariff walls are absurd; as a measure of preparedness they are inevitable. And economic antagonism intensifies the political antagonism from which it springs. There is no escape from such a vicious circle except to destroy fear. But fear is not necessarily a craven hallucination; so long as a threat is real, fear is a normal response, a warning that must be heeded. A levee is a monument to fear, but it does not cause the flood.

Fear cannot be allayed unless territorial claims are abandoned. It is plain to every one that Germany will not recover the Corridor by process of law. She needs violence or at least pressure—the mailed fist or the velvet glove, but in either case force. And she needs to use it soon; time is working against her, and working hard. Whether we like it or not, the existing order is order, and the alternative is chaos. The refusal of pacifists "to underwrite the iniquity of Versailles" means perpetuating latent war.

"Would you tamely submit to injustice then?" But is a frontier ever a matter of justice? Is it not rather a tangled mass of geography, history, psychology, business? How few perfect frontiers there are in continental Europe! Even the mighty Alps do not suffice. The French valley of Aosta is in Italy; Nice, so long purely Italian, is in France. A frontier is not a principle; it is merely a compromise.

Let us take a concrete example and consider two possible forms of injustice. On the one hand we have the palpable injustice under which the Germans are smarting. East Prussia is separated from the Reich, a solution which looks absurd on the map. But it is only on the map that it is absurd. Even today it is possible to go by train from Berlin to Koenigsberg without noticing the hated Corridor. The Germans left in Poland are allowed to use their own language, to read their own papers, to go to their own churches. Once the dominant minority, they have lost their pride of place. Is that a question of justice or merely one of privilege? Do not think of the Polish side at all. As a friend of Germany, compare these grievances with the fundamental injustice of even a righteous war. More German young men would probably die in battle as there are now Germans in the whole of Pomorze. On which side will the scale incline?

We shall never achieve peace by attempting to shift frontiers. The boundaries of 1914 were not good; the Poles alone formed a bloc of 20,000,000 people deprived of their elementary rights. The boundaries of 1919 are not perfect. No map that the best experts could draw in 1933 would satisfy all parties. The fundamental evil is not the location of frontiers, but their existence. The remedy, as D. S. Jordan and H. N. Brailsford have so clearly pointed out, is not to change but to minimize the national line, to rob it of its mystic and tragic character, to make it as innocuous as a State line in America. It is perfectly possible to imagine a Europe with a single currency, just as fortunately it already has a single metric system, and a single standard railroad

gauge; a Europe forming one great customs union; a Europe without passport formalities; a Europe where one could speak the language one prefers. In such a Europe what would it matter whether Sarreguemines be in France and Saarbrueck in Germany, or vice versa?

We must divorce the business of the territorial State from the religion of patriotism. Good roads, scientific sanitation, an efficient police, are desirable, whether you be Pole or Prussian, Catholic or Lutheran. On the other hand a German is not a man who lives under the swastika, but a man who feels himself a German, wherever he may be—in Switzerland, in Austria, in the Saxon settlements of Transylvania, in the autonomous German Republic of the Volga, in Milwaukee, St. Louis, New York or Paris. This ideal fatherland needs no soldiers. It may cover the world, enriching other cultures, not clashing with them. Because I respect German thought and love German literature, I too am a free citizen of that ideal *Deutschtum*. And with such a field of peaceful conquest before you, you keep the world a-tremble for a few thousand square miles in Pomorze!

"It is easy enough to urge renunciation upon others, but what if you were smarting under a sense of humiliation and wrong?" History may help us answer this question. Before 1914 conditions were reversed. It was Germany that was in all her might and pride. Alsace-Lorraine was under the German flag; the Poles were divided among three empires. No earnest pacifist recognized the conquest of Alsace-Lorraine as just, and, as Father Gratry put it, ever since the partition of Poland, Europe had been living in a state of mortal sin. Yet not one of us pacifists urged a "revision" which, we knew, could be secured only by the force of arms. The first condition of peace was the acceptance of the status quo—peace first of all, not after "just one more fight," but now. Dictatorial brutality, petty persecutions, would naturally die in a régime of unchallenged peace. Already there were liberal Germans who realized that they were defending their own permanent interests by upholding the oppressed—the Poles against von Buelow, the Alsatians of Saverne against Colonel Reutter. Had peace lasted and deepened, autonomy, cultural freedom, would inevitably have followed and the United States of Europe would not be such a dim and fugitive Utopia.

To make every frontier an open wound is nationalism at its worst. To look above and beyond the frontier would have been salvation before 1914, and would be salvation today. It is not the map, but our scale of moral values, that needs revision.

The World Economic Conference

I—The Clash of National Policies

By H. B. LEES-SMITH

[A former British Cabinet Minister, the writer of this article has also long been a member of the faculty of the University of London.]

LONDON, July 13, 1933.—All international conferences since the war—even those which have been most successful in the end—have had their crises, and in this regard the World Economic Conference is no exception. Whatever the outcome may be, it provides a convenient opportunity to survey the situation that has now been reached.

Informed opinion in England attributes the world depression to two main causes—the losses of primary producers and the fall of prices. The losses of the primary producers have destroyed their power to purchase manufactures and turned their separate crises into a world-wide crisis. All this is now commonplace, so much so that the first concrete results of the conference seem quite likely to be obtained in this sphere, beginning with wheat. If the scheme of the four chief producing countries—the United States, Canada, Argentina and Australia—to restrict output succeeds, it will be a signal achievement, which will in itself have justified the holding of the conference. Discussions have begun for the conclusion of similar agreements to bring under world control the production of sugar, coffee, wine, cocoa, rubber, timber, tin and coal, though they have not yet been carried very far.

If the chief cause of the depression had been this overproduction of primary commodities its effects would by this time be wearing themselves out. But a crisis in the sphere of currency has imposed itself on top of the first crisis. Wholesale commodity prices have fallen in the last three years by roughly one-third. A fall of this rapidity is practically unprecedented, and it is not surprising that it should have led to an unparalleled depression. The remedy, the logical result of this diagnosis, is to raise prices to somewhere near the level of 1929. Long before President Roosevelt came upon the scene, Sir Arthur Salter, former secretary of the Financial Commission of the League of Nations, in his now famous book *Recovery,* began to urge the British public not to be frightened of the word "inflation." Inflation when it is involuntary is a peril, but a firm deliberate increase of prices brought about by governments which are balancing their budgets, have the confidence of their peoples and are acting within an international agreement, is free from danger. It is a "controlled reflation" for the purpose of correcting the unnatural deflation of the last three years.

This analysis of the depression has now won acceptance in Great Britain, where opinion on financial questions is in reality created by a comparatively small group of men—the chair-

men of the "Big Five" banks, the financial editors of the London *Times* and *The Manchester Guardian,* and one or two other papers, a certain number of Treasury officials and members of Parliament together with a few private individuals such as J. M. Keynes and Sir Josiah Stamp. If they speak in a fairly uniform voice on a financial policy it is likely that this will in a short time become British policy. They have, with increasing cohesion, been making themselves a mouthpiece of the views originally popularized by Sir Arthur Salter, and the necessity for a rise of prices has for a considerable period been almost universally accepted.

The rapidity with which events have been moving is shown by the fact that until lately it was assumed in Great Britain that the objection to a rise of prices would come from the United States. American bankers seemed to be as conservative in doctrine as those of France, and America was the rigid adherent of the gold standard. But as soon as America abandoned the gold standard the whole position changed, for it is now possible for her to raise prices with an outflow of gold, and her hands are free.

At the beginning of the conference the United States appeared with hands untied but without saying anything to indicate belief in the raising of prices as the first step on the road to salvation. On the contrary, Cordell Hull, the head of the United States delegation, showed quite clearly on his arrival that he took very little interest in this subject and that he believed that world recovery depended upon the breaking down of tariff barriers. But there was soon to be a dramatic reversal of this attitude.

At the opposite extreme stood France and the gold group, including Italy, Belgium, Germany and Switzerland, in fact, the whole of Europe outside Scandinavia. They are profoundly skeptical of the whole doctrine bound up with the rise of the general price level. President Roosevelt's "old fetishes of so-called international bankers" are in their eyes inescapable truths, the flouting of which will lead him to a crash. The actual position of their peoples also compels them to resist a rise of prices. The predominant electoral element in France, upon which Premier Daladier depends for his support, consists of the small *rentiers* who have already been once robbed of four-fifths of their savings by the devaluation of the franc. To the argument that, failing a recovery of prices, the world's debt burden is intolerable, they reply that French industry and agriculture are not excessively indebted, that prices in France are already very high and that a further artificial increase is unthinkable.

In Great Britain no clear-cut doctrine has yet finally evolved. What may be called the Salter doctrine has gained increasing ascendency, but the conversion was not complete at the beginning of the conference. The confusion and cross-currents of doctrine can be seen in the fact that the London *Times* is the main support of the more radical opinions, while *The Manchester Guardian,* the great liberal organ, is the supporter of orthodoxy, and the former Labor Chancellor of the Exchequer, Lord Snowden, speaks of President Roosevelt as if he were a dangerous maniac. Prime Minister MacDonald is under the ascendency of J. M. Keynes, but he has far less influence in these questions than the present Chancellor of the Exchequer, Neville Chamberlain, who is a conservative on the question of currency and finds the new ideas of Sir Arthur Salter and now of President Roosevelt

very much against the grain. This is seen in the unwilling evolution of his speeches. In the debate in the House of Commons immediately before the conference opened, Mr. Chamberlain, while accepting the necessity for a rise in prices, brushed aside the idea that the main method of achieving that end was by any monetary process and pinned himself to the restriction of output of wheat and other primary commodities. But a fortnight later he brought before the conference, on behalf of the British Government, a resolution tacitly abandoning his position of two weeks before by putting monetary action in the forefront.

The simple truth is that we are all dealing with a subject which nobody understands. Doubts, hesitations, divisions, still divide the British camp, but experience in diplomacy teaches us British to retain a united front. The United States, on the other hand, has made itself ridiculous by projecting its hesitations into the limelight, by open differences between its delegates, followed by complete repudiation of all the delegates together by the administration in Washington. It is a good thing for the United States that it is a strong power, for such a method of handling a world conference would not be permitted to a weak one. America, too, is fortunate in Cordell Hull, whose quiet personality has won increasing respect both for himself and his country and who, placed in an almost impossible position, has maintained the dignity of his nation.

Out of these hesitations the final crisis has arisen at the conference. It is clear that President Roosevelt changed his mind between the arrival of his delegates and the end of the first month. The series of events by which he has suddenly rushed to the front of the stage and left even the most heterodox of British thinkers staggered by his rapid conversion, is one of the most dramatic developments that have taken place in the long series of conferences since the close of the war.

What then is the result of the crisis? The broad answer is that the conference, so far as its central work is concerned, is adjourned for a period which will last for months. The popular view is that it has already failed. But this is not regarded by the most careful observers as correct in perspective. The conference is passing through a crisis such as, at some period, every conference has had to face. This crisis was known in Great Britain to be inevitable when, before the conference began, America abandoned the gold standard. The repercussions throughout the world of the fall of a great currency cannot be removed for many months. The conference, for example, would have had an almost impossible task if it had been called in November, 1931, two months after the fall of the pound. As soon, therefore, as America went off gold, technical reasons would have dictated the postponement of the conference, but political reasons, combined with the world situation, made this impracticable and the conference was bound to be held at a moment which British opinion knew to be premature.

The nominal cause of the adjournment is President Roosevelt's refusal to enter into any agreement for the temporary control of exchange fluctuations, but the real cause is that those exchanges cannot be stabilized before American policy is stabilized, and this will not be for months. Yet the conference has achieved one signal result—the most important of all. It has ranged Great Britain on the side of the United States as against the gold group. Until now its policy has

been that of the mediator between the two. This policy has been dictated not only by economic but by political considerations, for a rise of prices in France might well spell the defeat of Premier Daladier and the advent of André Tardieu at the head of a government of the Right, which would, at the present juncture of European affairs, be a tragedy. But in the decisive vote Great Britain, the British Dominions and Scandinavia ranged themselves with the United States as against France and the gold group. The influence of the British Dominions finally determined the attitude of the British Government. No British Dominion has defaulted yet, but if prices remain at their present level, even for another year, that danger will be very close at hand. The sterling bloc can now therefore join with the United States, and Sir Arthur Salter's proposals can cover the greater part of the world.

Although the British and American Governments are coming together, their doctrine is still far from identical. Neville Chamberlain, for example, now accepts the policy of raising the price level by monetary action, but he strictly confines monetary action to the accepted orthodox devices such as cheap credit and open market operations. President Roosevelt obviously intends to adopt any device, orthodox or not, that will achieve his purpose. He proposes, for instance, to initiate the largest program of public works in history. The British Government has no intention of following any such example. President Roosevelt's National Industrial Recovery Act goes a long way beyond the extreme proposals of the British Labor party.

The truth is that the position of the two countries is not identical. Great Britain does not feel impelled to take great risks. The British people have been accustomed to unemployment for twelve years and the sense of crisis has passed away. The government, indeed, is now telling the people that in spite of twelve years of depression there are no signs of malnutrition and that the death rate is going down. But President Roosevelt has behind him hopes that he must fulfill if he is to avoid failure. His experiments will therefore be bolder than those of the British Government. The British people are watching him with sympathy. In the debate in the Commons on July 10 the whole temper of the House was on his side, and only one speaker criticized his policy. When it is clear that the time for stabilization has come, Great Britain will be ready, together with Scandinavia and the British Dominions, to act in conjunction with the United States and establish a common system for controlling the price level. The position of silver in a stabilized system will then come up for decision. By common action we may well succeed in freeing industry from the booms and slumps which have been its curse for the last hundred and fifty years.

Meanwhile, two other important issues remain—the international commercial debts and the future of tariffs. Foreign debts will no doubt be scaled down, but if trade revives a great part of them can be salvaged. The first difficulty is that no mechanism at present exists for enabling debtor countries to arrange collectively with their creditors as a whole. The proposal that the conference seems most likely to accept is that each creditor nation should set up a body of the same nature as the British Council of Foreign Bondholders to negotiate on behalf of all its creditor interests with their debtors in any debtor country.

But this will still leave untouched the question of future foreign loans and investments. The proposal is that the conference should draw up something in the nature of a public loans charter which the great issuing houses of each nation would be compelled to observe and which would save investors from the scandalous ignorance, carelessness and deception of which they have been the victims in the past. Obedience to such a charter could be secured by the supervision of a joint committee appointed by the Financial Committee of the League of Nations and the Bank for International Settlements. Even with these precautions it will be difficult to induce a revival of foreign investment. But this is essential to complete world recovery. The suggestion is that, in the early stages, where the loans are well secured, the guarantee of the government of the investing country should be placed behind them.

The remaining important issue is that of tariffs. At the beginning of the conference the first discussions centred on the question as to whether currency or tariffs occupied the leading position. It was understood that the United States with Cordell Hull as leader of its delegation regarded tariffs as the primary issue. On the contrary, it is now clear that the currency problem has pride of place and that until it is settled discussions on tariffs can lead to nothing definite. The reason is that the first problem that is raised in the tariff issue is the multiplication within the last three years of import prohibitions, foreign export restrictions, export bounties, quotas, and similar supertariff devices, which are a direct result of the shortage of gold and exchange, and cannot be dealt with until their originating cause has been removed.

In the words of the Basle report, "a tariff crisis has been added to the monetary crisis." The countries having to make payments on account of interest on loans and war debts have no longer any exportable gold left. The only way remaining for them to make these payments is to adopt a series of devices for increasing their exports and cutting down their imports so that they may have a surplus of foreign exchange which can be used for their foreign payments. Even then, such foreign exchange as they retain has to be rationed so that priority in using it may be given to their governments for indispensable payments. This situation cannot be altered until such countries have in their possession sufficient gold or exchange to meet their essential needs. The conference has already begun to work upon suggestions that, when the problem of currency is solved, these countries shall have at their disposal sufficient exchange for their needs, probably through the Bank for International Settlements, on condition that they abandon the special restrictions they have established during the last three years.

But when all special impediments have been removed, the problem of normal tariffs has yet to be faced. It is universally admitted that they are too high, but no plan for an agreed reduction is in sight. The Experts' Preparatory Report pointed out that there were two alternative plans, one for a reduction by percentages and the other for a reduction to a uniform level. The United States has adopted the first plan, and Senator Pitman put forward on its behalf a proposal for the reduction of tariffs of all nations by 10 per cent. This immediately revealed the first difficulty. The United States has almost the highest tariff in the world, whereas Great Britain is

still on a low tariff. Senator Pitman's proposal would mean that the United States would still retain her abnormally high tariff and that her position in relation to other countries would be practically unaltered. The low-tariff countries led by Great Britain prefer the second plan for reduction to a uniform level so that the whole world would come down to a general low-tariff system. This would be enormous, while the British tariff would remain practically unchanged. The mere recital of these difficulties shows that no universal arrangement can at present be made.

The next proposal, therefore, is for the immediate formation of one or more "low-tariff clubs." Let groups of nations whose trade is naturally complementary enter into agreements for a reciprocal reduction of tariffs. An example of this plan is the Convention of Ouchy signed in June, 1932, by Belgium, Luxemburg and Holland, under which these three countries agreed to reduce their tariffs in favor of one another by stages of 10 per cent to a minimum level, which has not yet been decided. Active discussions have been proceeding for months about the formation of a similar group for Austria, Hungary, Czechoslovakia and the other Danubian countries. The British Liberal party, on the advice of Sir Walter Layton and Sir Herbert Samuel, propose that Great Britain should take the lead in forming another group by offering to lower her tariffs to a uniform 10 per cent in favor of all countries that offer a reciprocal concession.

This is the most practical method of making rapid progress, but at present it is blocked by the impediment of the most-favored nation clause. This has already prevented any steps being taken in implementing the Ouchy convention, for if Belgium reduces her tariffs in favor of Luxemburg and Holland she must give the same concession to all other countries in the world, however high their tariffs against her may be. This subject is ripe for world decision and the conference will certainly thresh it out during the coming months.

In addition to this, the conference may lay down a code to distinguish good tariffs from bad. The basic principles, which are fairly obvious, have been worked out at length by Sir Arthur Salter. The tariff that extends the market of an industry already possessing natural advantages is better than one that creates a new industry which could not otherwise have existed. Tariffs that neither yield substantial revenue nor protect any considerable or profitable enterprise but operate chiefly to kill demand by high prices are obviously bad. Many such tariffs now exist, that of Australia being the most flagrant example. A tariff rate which is low and uniform through each of the main categories of commodities (manufactured, agricultural, and so forth) is less liable to lead to organized bribery and corruption than the discriminatory system which gives different rates to different articles. This criterion condemns the American tariff and upholds the British. The real difficulty in the way of reduction is that it involves an enormous confiscation of capital. Vast populations have become trained and specialized in certain occupations which they cannot change. A national psychology inimical to reform has been created.

It must be admitted that Great Britain offers the best example of this truth. The Conservative party has fought for the tariff for the last generation under the leadership of the Chamberlain family, whose youngest member, Neville Chamberlain, is now

Chancellor of the Exchequer. It is asking too much of human nature to demand that he now break down the tariff which he erected only last year. At the conference he has resisted all proposals for a general agreement and has suggested as an alternative that Great Britain should proceed by the way of a series of bilateral agreements between countries willing to make them. Within the last six months Great Britain has made agreements of this kind with Denmark, Norway, Argentina and Germany, and Mr. Chamberlain's view is that the rest of the world should follow England's example. The Experts' Preparatory Report, however, says candidly that "no serious progress can be anticipated along the road of bilateral negotiations." Up to the present the results achieved by Great Britain's bilateral agreements have been quite negligible. It is calculated that this method would need the making of over 2,000 such agreements in order to achieve even the minute results which Great Britain has at present reached.

It is clear that any lead for a substantial reduction of tariffs will have to come from the United States, and that meanwhile the most urgent step is to agree to a continuance of the tariff truce, so that there shall be no increase in tariffs until the work of the conference has been definitely brought to an end.

II—An International Comedy

By WILLIAM HARD

[Another account of the conference is given here by a well-known American newspaper correspondent whose experience inclines him to see the amusing as well as the significant side of international affairs.]

INTERNATIONAL conferences are nice. One meets so many people one knows. Here, for example, at this International Monetary and Economic Conference in London is one of the big publicity men of the League of Nations. And, along with him, comes all the rest of the League's apparatus and paraphernalia for the holding of international conferences. It is developing into a science, a business, or, as the chambermaid in my London hotel has acidly remarked to me, a "pastime."

There must be a very large room in which the opening session and all other "plenary" sessions of the conference will be held. In this room the delegates must agreeably applaud all such phrases as "concerted efforts on behalf of a common humanity," "world-wide measures for world-wide peace and prosperity," "international economic cooperation," "universal loyal collaboration" and "mutual sacrifices." Then there must be a lot of smaller rooms for the commissions into which the conference will divide itself, and a lot of still smaller rooms for subcommissions, and a lot of rooms even still smaller for sub-sub-commissions. In these rooms the delegates, when asked for "sacrifices" to be made by their countries, are at full liberty to say "No," and usually do so. Then, outside all the rooms, there must be electric light bulbs of two colors. One color shows that somebody inside is making a speech. The other shows that a speech is being translated into either French or English.

There must also be one grand spacious lobby in which the delegates can walk about picking up news from one another and conveying carefully selected parts of it to their favorite journalists for political purposes back home. For instance: "You may say today, in spite of impudent pressures from numerous foreign countries, I declined to reduce our tariff duty on zinc." Or, again: "You may intimate that I challenge any political opponent of mine in our national legislature to name one thing that I have given away to any foreign country since I got here." In the great hall of the "plenary" sessions there is the assumption of a universal international human society. In the lobby there are sixty-seven jealous, suspicious national entities. And there is something else again—and a third sort of atmosphere—at the tables in front of the bar.

There must be a bar. It must be very long. Behind it there must be arrayed the multitudinous drinks of all nations. On it there must be displayed the multitudinously varied sorts of glasses from which the drinks are drunk. At the tables the delegates depart from the sermonizings of the great hall and depart equally from the bickerings of the lobby and become just pleasant personal acquaintances and friends. In the atmosphere of the bar a great deal might be accomplished for the international welfare of the world if only the theoretical rhetoric of the great hall and the sordid practical home politics of the lobby could be cork-screwed out of the delegates' minds.

From the delegates' bar, or lounge, the journalists descend from time to time to their own lounge, or bar, and discourse among themselves on all the international sentimentalities and all the national selfishnesses most recently exhibited by the delegates upstairs. Troublesome elements in international conferences, these journalists. But why? Because the delegates themselves are always giving them scraps of news tending to the advantage of their political parties in their own countries while tending at the same time to the disadvantage of the international negotiations going forward in the conference. The menace of journalism at international conferences is directly produced by the political garrulousness of delegates.

For the benefit of the journalists at international conferences nowadays, under professional League management, there must always be an extremely long bulletin board. On this board, within fifteen minutes or so after anybody has made a speech in any room in the building, a mimeographed summary of his remarks will be tacked up. There will also be tacked up all motions or resolutions or aspirations proposed by any delegate. There will also be tacked up all reports by any of the conference's commissions or subcommissions or sub-subcommissions. A reporter could report the conference from the bulletin board without ever attending the conference. Finally, there must be an immense room in which the journalists can write their dispatches at long tables; and there must be six or seven booths for the six or seven different great international telegraph companies of the world; and there must be twenty or thirty telephone boxes for the Continental European reporters who seem to have a passion for sending their dispatches by word of mouth.

And now here is General Smuts of the Union of South Africa. He has been coming to these things ever since the Paris Peace Conference of 1919. And he always has a lot of blame that

he is always loading on somebody—somebody else. This time he is loading it on the United States. According to him, in his first public proclamation in this conference, there is just one central thing the matter with the world, and that is the inclination of the United States to collect debts owed to its Treasury. Cancel those debts, and apparently the price of ostrich feathers from the Union of South Africa will go bounding right up.

That is not the idea of our Mr. Cordell Hull. Mr. Hull has been doing very well over here, as a personality. He impresses. He evokes moral confidence. He gains profound respect. His integrity is manifest. And his consistency and continuity of personal purpose cannot be gainsaid. He has represented the United States loftily, Olympianly. Yet, though his character is unimpeachable and though his argumentation may in logic be unanswerable, he has budged the world here not one inch from what he calls its "extreme economic nationalism." But there you are! How the doctors disagree! Listen to Dr. Smuts, and the root malady is debts. Listen to Dr. Hull, and the root malady is "extreme economic nationalism."

Now listen to Mr. Charles Rist of the Bank of France. He is a familiar figure at these international talk festivals. He is a professor and also a financier. He has a beautifully ordered —and a beautifully oiled—mind. He is at the same time solid and brilliant. He makes his points in a clear crescendo of logically accumulating weightiness. Being French, he does not talk fog. Being Rist, he talks with a clarity almost super-French. And what does he say? He says that the world's instant central malady is international currency fluctuations. Yes. The monetary matter—according to Mr. Rist—is the fundamental matter.

There Mr. Rist is at variance with the opinion of the British delegation. And what is the British delegation's opinion? Right there is one of the great puzzles of the conference. The chief British delegate is Mr. Neville Chamberlain, Chancellor of the Exchequer. His irreproachable attire is an accurate index to the irreproachableness of his soul. His facial aspect is similarly *de rigueur*. Here is a correct man. The British public feels it. It does not regard him as clever. It esteems him precisely for his not being "too clever by half." The strain of non-cleverness in him is cheering to the British electorate. One cannot for a moment suspect him of being perfidious or even devious. He is open and he is straight. Nevertheless, he suffers in this conference from the very same disability that afflicts Mr. Hull. Both men can stand on a policy; but each represents a government that vibrates between policies.

Mr. Hull was first instructed to press mainly for lower tariff duties. He was then instructed to press mainly for higher prices of commodities. The two aims were quite different. They were not simultaneous. They were successive. They revealed a sudden drastic shift of emphasis. At the beginning of the conference the American delegation introduced resolutions for monetary stability and for the lowering of economic barriers between countries. They introduced resolutions, that is, for a return to the old nineteenth-century orthodox international business situation.

Now, in the concluding days of the conference, the American delegation is introducing resolutions for novel monetary experimentations designed to lift prices by wholly unorthodox governmental levers. We may have been right either time. But which

time? The British delegation is puzzled to know.

Being puzzled is, in fact, the British delegation's specialty. The British delegation is in favor of expanding the currency, but not too much; it is in favor of inflating credit, but not too much; it is in favor of returning to gold, but not too soon; it is in favor of lifting prices, but not too far; and it is in favor of the lowering of economic barriers between countries without interfering in any way with the plans of the British Minister of Agriculture for restricting importations of foreign goods.

You see the British Minister of Agriculture circulating smilingly about the lobby. His name is Major Walter Elliot. He has a fine war record. Before the war he was a medical practitioner and a scientist. His is the most vital and vivacious mind in Britain's Conservative party. Everybody says that he is likely some day to be Prime Minister. He is not impeded in his march toward that office by the fact that he is a Scotsman. The English are perfectly willing to be served by Scots or Welsh Prime Ministers. They do not care who makes them richer; and Walter Elliot is all out to make the English farmer richer by means of his new "quantitative regulation."

That phrase, "quantitative regulation," gives great pain to Mr. Hull. It reminds him strongly of the French word "quota." The French have a nasty habit of decreeing that only just so many pounds of such and such a product may be imported into France from a given country. That is a "quota." It deeply distresses Mr. Hull; and the British, also, denounce it. The British want the French to do away with "quotas." But watch! The British are against "quotas" and in favor of "quantitative regulation." And what is "quantitative regulation?" Why, it is this:

Major Elliot makes an estimate of the total probable consumption of bacon in Britain next year. Then he proposes to say: "So many tons of that bacon shall come from British home pigs. So many tons of it shall come from pigs in the British Dominions and colonies. So many tons of it may come from foreign pigs." And then he proposes to say further: "Of the total amount of bacon to be supplied from pigs in foreign countries, so much shall come from Denmark and so much from Holland and so much from each other bacon-exporting country."

How does "quantitative regulation" differ from a "quota"? It differs from a "quota," the British say, in that it is based on a comprehensive marketing plan for each commodity. It is not, the British say, a mere arbitrary bureaucratic decree. No. It is statistical and scientific. This does not console Mr. Hull. He foresees the French taking just so much American bacon and no more; and he foresees the British taking just so much American bacon and no more; and it makes no difference to him whether his American bacon trade in Europe is killed by "quotas" or by "quantitative regulation."

International protests, however, against "quantitative regulation" do not move Major Elliot. He continues to smile. He is always smiling. He has a heavily lined and extremely strongly featured face, a quite hard face which perhaps would seem harsh and even cruel if it were not always lit with laughter. He finds amusement in all things, and he also furnishes amusement. He can condense whole volumes of facts into a witticism. "One should worry about Britain carefully," he says. "Britain for centuries has seemed

to have the fate of an iceberg slowly melting in the Gulf Stream. But it never gets melted." Under Major Elliot, as Prime Minister, it would surely add an amazing chapter to its variegated memoirs. It would pass from being the classic land of free trade to being a land of Tory socialism. Major Elliot and, in fact, the whole intellectually dominant element in Britain's Conservative party are headed straight toward a national governmental planning of Britain's entire basic economic life.

What a moment in which to call a conference for the restoration of free international trade—of trade by free individual traders! But how appropriate that such a conference should be held in a geological museum! It can bequeath to the museum a fossil entitled "Free Trade," illustrating the old Darwinian Age of the free struggle for existence and of the free survival of the fittest. Now, all the way from birth control to trade control, there is the age of an attempted taming of nature by edict; and this conference—quite unintentionally—testifies to its arrival.

No wonder Mr. Litvinov of Russia looks quite cheerful. No wonder that his plump red face shines even more beamingly than usual. He is one of the great conference addicts of Europe. Few conferences escape Mr. Litvinov's presence. No conference would want to. Mr. Litvinov is a large part of the life of any conference. He is such a tease! At disarmament conferences he always tries to demonstrate that armies are a deplorable product of the deplorable capitalistic system. He does this by offering to abolish the whole Communist army of Russia if only the capitalistic countries will also abolish all their armies. Then the only thing that the capitalistic countries can do is to laugh a long time and exclaim: "How witty that man Litvinov is!" And then at economic conferences Mr. Litvinov always distributes beautifully printed pamphlets, with wonderful pictures and diagrams in them, showing that industrial production in Russia is rapidly mounting and that in Russia there is no unemployment. To this an Englishman at the conference retorted: "Neither have we any unemployment in Dartmoor Prison." Nevertheless, Mr. Litvinov's governmentalism is much closer to the general tone of the conference than Mr. Hull's free individualism.

Observe Prime Minister Bennett of Canada, for instance. A strong man, he is as stocky as Mr. Litvinov and as plump, but of a much harder plumpness. He beams like Mr. Litvinov, but even more energetically. He abounds in good humor and he abounds in resoluteness. He can tell Prime Minister MacDonald of Britain just what Canada wants and make Mr. MacDonald like it. But what is it that Mr. Bennett, on behalf of Canada, now particularly wants? Mr. Bennett is a business man. He is by business experience a conservative. He is by political alignment a conservative. He has no affinity whatsoever for Marxism or progressivism. Yet what is he doing here? He is spending most of his time conferring with Mr. Morgenthau of the United States and Mr. Le Breton of Argentina and Mr. Bruce of Australia for a joint government control of the production and exportation of wheat. He is engaged here in promoting State socialism.

And Mr. Sarraut of France! A man of property! What is his particular errand here? Why, to try to negotiate an agreement among the wine-producing countries for a joint governmental control of the production and exportation of wine.

And Mr. Ferrara of Cuba! There is

another sturdy man. He exudes even more energy than Mr. Litvinov or Mr. Bennett. He has two peculiarities. The first is that he can sleep at any time, anywhere. He can work for thirty-six hours and then sleep for two hours and then work for two hours and then sleep for twelve hours and, in general, he can alternate between perfect sleep and intense wakefulness at will. Result or cause—no nerves and a lovely sweet temper. His second peculiarity is that he tells the total truth in and about conferences. In this respect he is virtually unique among conference habitués. Though he keeps on going to conference after conference, he has never acquired the habit of making rainbow predictions. I ask almost any other delegate: "How is your subcommission getting on?" The delegate will look me straight in the eye as if he thought I was going to believe what he was going to say and will then say: "We expect an agreement next week." But I will now address myself to Mr. Ferrara. "Mr. Ferrara, your two great interests here are the reducing of tariff duties and the organizing of the international market for sugar. How are you getting on with them?" Mr. Ferrara replies: "Not at all. I am sure that there will be no agreement to reduce tariff duties, and I fear that there will be no agreement of any really satisfactory sort on the marketing of sugar." What a relief! Mr. Ferrara knows that this conference, overwhelmingly, will not produce solutions but only resolutions, and he says so!

Yet the conference does also produce, in its sub-subcommissions on sugar and wine and silver and coal and timber and tea and tin and so on, a prophetic glimmering of the dawn of a troublous day in which governments will be continuously negotiating with one another regarding "quantitative regulation" of exports and imports. Walter Elliot and the sub-subcommissions on commodities are the conference's most meaningful exhibits. Less clearly the conference presages the possibility of a day of continuous negotiations between governments for the fixing of the relationships between their several separate "managed currencies." Mr. Rist, Mr. Bonnet, Mr. Bizot, all the other members of the French delegation, hate that prospect. They are for the automatic gold standard. So are almost all the other Continental Europeans, except the Scandinavians. How firm and clear the Continental Europeans are on that point!

Mr. Bonnet, France's delegate-in-chief, is slender, vibrant, quite hook-nosed. He talks tensely; talks coherently; says today exactly what he said yesterday; will say tomorrow exactly what he said today; does not get from Paris every night a new set of lines to speak on the conference stage tomorrow; always gets the same lines. Mr. Bonnet utters them; Mr. Rist utters them; Mr. Bizot utters them; all the other members of the French delegation utter them. "Stabilization." "Security." "Gold." "Gold." "Security." "Stabilization." They know what they want, these French; and they know it precisely; and they know it forcefully; and they know it unitedly; and they know it inflexibly; and there you are! They make you understand why the English novelist William de Morgan called them "the most incorrigibly foreign of all peoples."

And Mr. Schueller of Austria—another hard-headed man. He says that Austria knows all about discarding gold and embracing inflation. The Austrians, he says, were once the best inflationists in the world. They did

not merely make prices go up 10 per cent or 20 per cent or 100 per cent. They made them go up 15,000 per cent. They made the world's inflation record and now, says Mr. Schueller, they have retired from the game, permanently.

And Mr. Schacht of Germany. He is said to be the world's ablest central banker; runs the central bank of Germany; seems to run it as a sort of personal hobby; talks about "my" gold reserve and "my" discount rate; is always joking; is always elated; seems always to be at the very top of the wave; seems ever so much younger than his years; has a mind both singularly adroit and singularly powerful; can study and can command; is wholly familiar with all the intricacies of all the new monetary theories; remains profoundly orthodox; takes virtually no part in the conference but joins the French, outside the conference, in a stubborn adhesion to gold; has only a few ounces, so to speak, of gold in his Reichsbank but would rather be on the shoe-string gold standard than on any "managed-currency" standard so far suggested.

And Mr. Gutt of Belgium, financial expert for his country's delegation. Full of financial and also industrial experience. One of the leading figures in the great Belgian African copper property called Katanga. A little man with a thin voice but very wise in the ways of the world, and very wary, and very determined—determined especially to stay on gold.

And Mr. Colijn of the Netherlands. Chief of the Dutch delegation. Prime Minister of the Netherlands. Big public man. Big private business man. Vast practical acquaintance with financial and industrial affairs. Sticky character. Absolutely impossible to stir him away from gold and toward inflation.

And Mr. Pirelli of Italy. Another financial expert. Another practical business man. Heavily interested in great Italian business enterprises. Regarded by many as the supreme financial expert of the conference. Has pondered Professor Moley's arguments for inflation and has remained unconverted.

They have all remained unconverted, these European continental financial delegates from the countries south of Scandinavia. Perhaps, of course, our American delegates and our American financal experts would have been more successful as evangelists of inflation if they had started at it sooner. They began, however, by directly or indirectly entering into conversations for monetary stability and only later addressed themselves to depicting the beauties of a monetary ascent into the stratosphere. They are not now really carrying conviction even to the British.

The British chief monetary expert, Sir Frederick Leith-Ross, talks fairly pleasantly indeed about monetary measures for higher prices, but neither he nor anybody else in the British Government seems to do anything that you could call drastic about it. Sir Willmott Lewis of the London *Times* puts the matter quite well by remarking that in this conference in the matter of higher prices the British talk like Americans and act like Frenchmen. My own guess is that Sir Frederick Leith-Ross understands the whole subject perfectly and does not intend to go off the deep end in either direction while the water is equally perilous on both sides. Sir Frederick is a bulky person with a formidable nose and with still more formidable glasses on the nose. Some people think that he is as clever as Mr. Pirelli, and some that he is even cleverer, as a financial

expert and adviser. In any case, the American financial experts and advisers had no new tricks to teach him; and, moreover, the chief American financial experts and advisers—Mr. Sprague and Mr. Day—got on boats and went home at the very moment when the American delegation began vigorously pushing for an international benediction on the American inflation program. What did they mean by that?

Lots of others from numerous countries are now buying their tickets for home. This International Monetary and Economic Conference, having accomplished so little in either the monetary or the economic sphere, will be called a failure and will be called "a conference to end conferences." End them? Impossible.

The world is full of things that need talking about and it is full of talkers. It is also full of people whose occupation is coming to be that of international conferring. I shall be attending conferences next year and the year after next; and Mr. Posse of Germany will be there, explaining German economic policy as usual; and Mr. Stucki of Switzerland will be there, explaining Swiss tariff measures as usual; and Mr. Munch of Denmark will be there, advocating economic disarmament and military disarmament as usual; and, above all, Derso and Kelen will be there.

Derso and Kelen, for ten years and more, have been engaged jointly in making caricatures of delegates in international conferences. They are Hungarians. They are the deepest and most penetrating delineators of lineaments in the world. Their drawings of famous people will, some of them, outlive the fame of the people drawn. It is necessary to have international conferences in order to provide Derso and Kelen with expression for their genius. And Derso has a splendid idea about delegates. He thinks that the families of the delegates who go from international conference to international conference should inter-marry. He thinks that thus in time we would produce a special international race of people who would be biologically peculiarly competent to be delegates and who ultimately, by hereditary right, would do all our international conferring for us, while the rest of us could go to tennis matches. Well, good-bye, Derso and Kelen. See you next time.

Planning in the Tennessee Valley

By ARTHUR E. MORGAN

[Dr. Morgan was called from the presidency of Antioch College to become chairman of the board of the Tennessee Valley Authority. He has had long experience as an engineer in charge of reclamation and flood control projects in various parts of the United States.]

A CASUAL observer might regard the Tennessee Valley Authority Act as a jumble of special provisions, thrown together to meet a variety of special interests. There is the provision for completing the power development project at Muscle Shoals; the people of that community have had dreams of another Birmingham. There is the provision for making fertilizer; cheap fertilizer is a live issue, especially among Southern farmers. There is a curious provision for trading power sites for Muscle Shoals power. There is a provision for building transmission lines, reflecting President Roosevelt's desire to have somewhere in America a "yardstick" of public transmission of power by which to measure the effectiveness of the private power industry, and reflecting also the desire to get full value from the Muscle Shoals and Cove Creek plants by interconnection. There are provisions for operating government locks, for flood control and for navigation.

If at first all this seems like an accidental bundle of purposes which Congress has tied together in a single act, careful examination makes it clear that such is not the case. Although there was strong pressure from some directions to make the tail wag the dog, to give controlling prominence to certain important but incidental features, as well as vigorous efforts to introduce certain seemingly innocent provisions which would have gone far toward killing the effectiveness of the measure, it was, as it passed through Congress to the accompaniment of much heat and stress, welded into a single organic whole, emerging finally as the clear expression of a definite and far-reaching plan. That purpose was expressed by President Roosevelt in his message to Congress forecasting the introduction of the bill, when he said:

"The continued idleness of a great national investment in the Tennessee Valley leads me to ask the Congress for legislation necessary to enlist this project in the service of the people.

"It is clear that the Muscle Shoals development is but a small part of the potential public usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development: it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification of industry. In short, this power development of war days leads logically to national planning for a complete river watershed involving many States and the future lives and welfare of millions. It touches and gives life to all forms of human concerns.

"I, therefore, suggest to the Congress legislation to create a Tennessee Valley Authority—a corporation clothed with the power of government but possessed of the flexibility and

initiative of a private enterprise. It should be charged with the broadest duty of planning for the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and its adjoining territory for the general, social and economic welfare of the nation. This authority should be clothed also with the necessary power to carry these plans into effect. Its duty should be the rehabilitation of the Muscle Shoals development and the coordination of it with the wider plan.

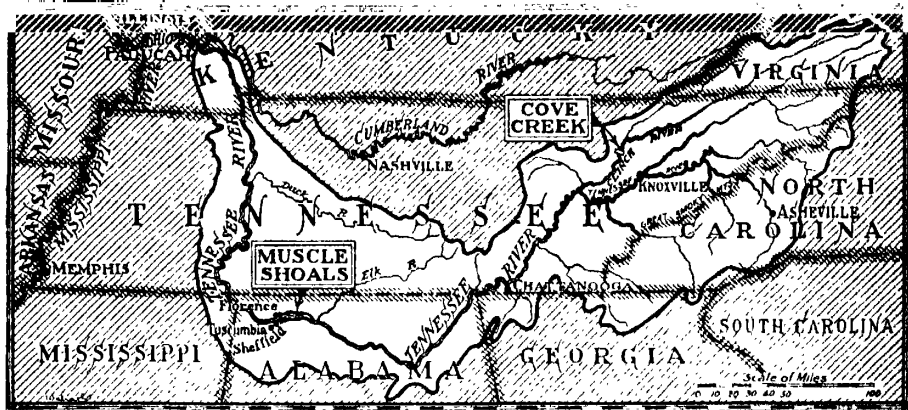
"Many hard lessons have taught us the human waste that results from lack of planning. Here and there a few wise cities and counties have looked ahead and planned. But our nation has 'just grown.' It is time to extend planning to a wider field, in this instance comprehending in one great project many States directly concerned with the basin of one of our greatest rivers.

"This in a true sense is a return to the spirit and vision of the pioneer. If we are successful here we can march on, step by step, in a like development of other great natural territorial units within our borders."

The Tennessee Valley Authority Act is not perfect. Parts of it may be difficult to administer. The importance of the various provisions is not in proportion to the number of words used to define them. Whole pages are occupied with details, while far-reaching principles are enunciated in brief paragraphs. In contrast to the more than two pages given to details of the subject of fertilizer, the following brief provision in the act is highly significant.

"*Sec.* 22—To aid further the proper use, conservation and development of the natural resources of the Tennessee River drainage basin and of such adjoining territory as may be related to or materially affected by the development consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized, by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee basin and adjoining territory as may be useful to the Congress and to the several States in guiding and controlling the extent, sequence and nature of development that may be equitably and economically advanced through the expenditure of public funds, or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby, or subdivisions or agencies of such States, or with cooperative or other organizations, and to make such studies, experiments, or demonstrations as may be necessary and suitable to that end."

If the act is at fault in the uneven emphasis given to various subjects, that can be corrected by the type of organization set up. The Tennessee Valley Authority is a corporation, administered by a board of three directors who report directly to the President, and are chiefly subject to his control. Under his direction it is their function to bring design and proportion into the affairs of the corporation and to insure that a smoothly operating and well-matured program shall emerge to express the dominant purpose of the act.

What ought that program to be?

The Valley of the Tennessee River

President Roosevelt's idea, as embodied in the law, is that in the watershed of the Tennessee River there shall be attempted the first deliberate effort, on a large scale, to inspire systematic and balanced development of the social and economic life of a part of our country. The New Deal, which is the central theme of the present administration, will not be brought about simply by a change of motives. New methods also are essential. Orderly design must take the place of haphazard and destructive exploitation.

In making this change from hit-or-miss individualism to planned and controlled development, it is well that policies be tested in a limited area, rather than that the inevitable trial-and-error method should first be applied on a nation-wide scale. For many reasons the Tennessee Valley is a suitable site for such a project. Any temporary inconvenience resulting from its being used as the laboratory of the nation should be more than offset by the direct appropriations by the Federal Government. The nation as a whole can afford this investment, for it can thereby learn how to plan in other regions. Both the Tennessee area and the nation should profit.

To realize the need for orderly planning, it is well first to consider some of the results of present practices. If they are continued the Tennessee River drainage area can never be the site of a permanent civilization; it will become a region of barren hills, with a scattered population living in poverty and squalor. The rolling farm lands of the region must be kept under control by proper cropping and proper treatment, or the soil will be washed away, and only bare rock or barren red clay veined with deep gullies will be left. To a man who knows soil conditions, an airplane trip over the Tennessee River area and the adjoining regions is a disheartening experience. On every side he sees exposures of bare clay, the soil washed away, the fields abandoned, and the ugly gullies stretching their destructive tenacles further and further into the land. These barren lands were once fertile wheat fields. The traveler by plane sees beneath him a civilization being destroyed at its very foundations, though it is only a century old.

What can planning do to stop such destruction? Lands completely ruined for farming can be planted to forests. The growth of new trees stops erosion

and slowly a new fertility is created. In the meantime a profitable tree crop is springing up. As a further step, a new principle should be introduced into land ownership. A farmer is not the absolute owner of his land. He occupies it during his lifetime and then passes it on to another generation. He is under a moral obligation not to waste that heritage. He should not receive fertile lands from his father, and pass on barren, gullied hillsides to his son. If a farmer is rendering his land worthless for the generations to come, he should be required to reduce his acreage to the amount he can properly care for, and the remainder should either be sold to some one who will treat it properly or be planted to forest. It will be the business of the Tennessee Valley Authority to suggest to the States within its area legislation that will end this destruction of their principal wealth and lay the foundation for a permanent agriculture.

Under present conditions the power resources of the region are being destroyed along with the farming resources. The waste of coal is evident, but the loss of water power is no less serious. For water power to be profitable there must be great storage reservoirs to equalize the flow between wet and dry seasons. Yet, so long as soil erosion continues unchecked, these reservoirs will fill with clay and their value will steadily decrease. A power company might be declaring dividends and its bonds regarded as gilt-edge investments, while its actual worth is falling because its storage reservoirs are being steadily filled with clay washed from the hillsides and carried down by the streams. Ought such water power to be developed, and then destroyed for all future generations? It may be that no water-power development should be permitted without protection of its watershed from hillside washing.

For other reasons design and planning should be introduced into the use of water power. While the Tennessee Valley Authority Bill was in Congress, leaders of the private power companies appeared to protest most vigorously against the production of more water power. Yet, no sooner had the Tennessee Valley Authority been organized under the new law than applications began to come in for the right to develop additional water power on a large scale. Some control seems necessary to insure that the utilization of water power takes place in a systematic manner according to well-designed public policy.

There are so many other ways in which haphazard, unregulated growth is disastrous. The mountain regions of Kentucky, Tennessee, West Virginia, Virginia, North and South Carolina and Georgia are the last great bulwarks of individuality in America. Mass production both on farms and in factories has become characteristic of our national life. We have become used to living in crowds and we expect others to manage our affairs. We regard a man as almost abnormal if he enjoys his own company. But the Southern highlander is a different breed. He likes his family. He likes his communities. He likes rural life. But he has been without highways and railroads and has had no adequate markets. His income has been and is very small. Agriculture alone will not support him in comfort on his small hillside field. Today great industries are settling in his midst, attracted by the prospect of cheap labor. Some of these factories tend to destroy his type of civilization.

Repeatedly men come to me saying that they have great plans for the

Southern mountains, that with cheap labor and cheap power they can take an industry away from some Northern community. The Southern highlander is often regarded merely as cheap labor to be exploited, rather than as the representative of a valuable type of culture to be encouraged to evolve according to its own genius, and in the meanwhile to be protected from economic exploitation.

Is it not possible that a very desirable way of life may become characteristic of this region? Would it not be possible for the Southern highlander to preserve his present versatility and distinctiveness in personal and social life, and to develop small industries which, like those of France, are based on intelligence, individual taste and skill? The Tennessee Valley Authority has plans to this end. For many years Dr. Harcourt A. Morgan, one of the directors of the Authority, has sought to balance agricultural and industrial life in this region. The Authority has employed well-qualified engineers, agriculturists and scientists to study the area, to learn what can be locally produced and consumed, so that the living standards can be raised without unnecessarily increasing competition with the rest of the country.

The Southern highlander is not in a hurry. He has time to be hospitable. He is not trying "to keep up with the Joneses." He has dignity, independence and self-respect. Given the opportunity he will have time to create fine things in furniture, in clothing, in ceramics, in scientific instruments. He can be the individualist in American industrial life. With artistic and scientific guidance, he can make the goods America needs to take the curse off its mass production civilization. Every isolated valley can become the home of some kind of excellence peculiar to itself. Such a culture requires a certain amount of leisureliness and independence which is not characteristic of an American industrial community. A factory manager who has gone from the North to a factory in the Southern highlands finds it disconcerting when his working force suddenly takes to the hills at the opening of the fishing season. Yet why should factories exist if men cannot escape from them when dogwood is in bloom and the bass are "biting good?"

With people of good stock, intelligence and energy, with power developed for the sake of those who use it, with a wide variety of natural resources, and with planning designed to develop the region and not to exploit it in the interests of non-resident owners, such a future seems not impossible. It is the business of the Tennessee Valley Authority to try to preserve the best in the culture of the region, encouraging it to develop according to its own genius, and to save it from the exploitation of mass production that is in search of cheap labor. Mass production will have a place in the design, but it should be servant and not master.

How can the Tennessee Valley Authority help to achieve its purposes? The progressive generation of electric power and its distribution to the rural communities that need it, is one method set forth in the law. A rumor is in circulation to the effect that a "joker" was slipped into the law by Senator Norris providing for government transmission of power and that this "joker" has now been discovered. The fact is that such a provision was fought out openly and above board and was the chief point of contention in Congress.

The Tennessee Valley Authority can help in the production of cheap fertilizers and instruct the farmers in

their use. It can campaign against soil erosion. It can promote good forestry methods. It can go in quest of natural resources to be utilized in the future. It can study industrial possibilities, encouraging enterprises where local needs are unfilled, and discouraging others when there is an oversupply. The authority can recommend State and local legislation to curb unscrupulous exploitation. For instance, selfish and mercenary real estate speculation at Muscle Shoals has caused great financial losses to purchasers in all parts of the United States and has largely destroyed the opportunity for the orderly and economical growth of that community. The Authority can encourage cooperative production and marketing in agriculture and small industry. It can help in moving families from abandoned mining and lumber camps to new communities planned and built to combine agriculture and industry. Many of these miners' families have been a charge on public charity for four years with no other relief in sight, for many mines will never open again in this generation.

In the building of the Cove Creek Dam, which is the first large construction job, the plan is to select intelligent and teachable young men from rural communities and to combine work with a training program. In this way twice as many workers can be taken off the unemployment lists. While half of them are working on a short week, the other half will receive training in hygiene and sanitation, in home management, and in some skilled calling they can use later. After three or four years spent in building this great dam, these young men and their wives should be far better adapted to a new order.

Legal studies will be made to outline programs of local legislation dealing with land management, cooperative marketing, cooperative power distribution in rural areas, housing projects, the use and development of regional land and other conditions that enter into the orderly development of a region. A large number of foundations, social agencies, religious organizations, educational institutions, governmental departments and industrial corporations are offering to assist in this work. It is the business of the Tennessee Valley Authority to coordinate these various efforts, to prevent duplication and interference and to help bring about unity of purpose.

This description is necessarily indefinite and somewhat vague. The Tennessee Valley Authority is only a month old as this is being written. The systematic and effective planning of industrial and social life for a great region is an unprecedented undertaking in America. Much study and planning will be necessary. Substantial results will not come suddenly. The Tennessee Valley Authority must ask the patience and forbearance of the American people while the great project is taking form.

The Challenge to Organized Labor

By LEWIS L. LORWIN

[Dr. Lorwin, now on the staff of the Institute of Economics of the Brookings Institution, has had a varied career as public official, college teacher and newspaper correspondent. He was attached to the War Labor Policies Board in 1918-1919. To the various books he has written on economic and social subjects, he has just added his study, *The American Federation of Labor,* published by the Brookings Institution.]

FOR over three months now, since the National Industrial Recovery Administration has been trying to lead the country back or forward to prosperity, we have been alternately fascinated by the "battle of the codes" or the "race of wages and prices" or the bear-bull game of a stock market that has flirted with NIRA or the "prosperity drive." In our eagerness to march in step with the events of the day, we have found little time to dig into the deeper reaches of the economic and social changes which today is making for tomorrow. And yet that is urgently called for now. Under a more or less controlled economy, such as we have been promoting since we entered upon the path of prosperity by fiat, we must set our compass ever so often to gauge the direction in which we are going.

Even our meager three months' experience under the National Recovery Administration confirms what some pointed out before it came on the scene—that, under a controlled economy of the type we are fostering, three issues will rise to major importance. None of these issues is entirely new in character, but all three take on new forms. One is whether and how a price system can be made to run its course so as to keep a proper balance between mass purchasing power and price levels. A second is how industrialists can be "cartelized" into large associations under fixed codes without setting up quasi-monopolistic policies and without destroying the opportunities of the small man to seek salvation in his own small way of painfully independent business. And third, and in some ways the most difficult, is by what methods are management and labor to be brought into a cooperative working relationship which the new industrial purpose obviously calls for. Our concern here is with this third question.

It is the contention of the writer that both employers and labor leaders in America fail to read the signs of the times and to see the impending changes in industrial relations and in labor policies. For three months now discussion of industrial relations has been carried on largely in old terms. The old slogans of collective bargaining, of trade unions versus company unions and of the "right to organize" have been shot back and forth in verbal battles before the tribunals of the Recovery Administration. Neither employers nor representatives of organized labor seem aware of the fact that a new economic set-up must mean a recasting of the old institutions which went with it. If we are to have a controlled economy, we can have neither the old system of unorganized industry nor the trade unionism of the old type, but something different that fits the general new scheme.

Such a new institution seems to me

already discernible on the horizon. It is what I have designated as quasi-public unionism—a new form of labor organization which is a synthesis of many elements and which seems destined to be an integral part of the industrial scheme toward which we are heading.

Many employers during the past three months have been quizzically wondering what the new dispensation holds for them with regard to labor policy. But most of the large employing corporations and anti-union employers' associations have stuck to their guns—not to recognize or deal with existing or newly formed trade unions and have resisted all efforts toward unionization made by their workers. They have fought the interpretation of collective bargaining which would confine it exclusively to negotiations between employers and independent labor organizations. To comply with the formal requirements of the Recovery Act, some of them have taken down from their shelves dust-covered plans of employe representation which have been lying there for years and have dressed them up for the duration of the act. On the assumption that what is happening today is merely an interlude between the old "new era" and the return of the "good old days," they have been playing for time and jockeying for position in the old battle which they know so well.

In other words, American employers are assuming today, as they have assumed for over a decade, that they can bu:ld up an American industry in which trade unions have no part. The reasons why American employers have been more hostile to trade unionism than perhaps employers in any other country are many and varied. But two reasons stand out as of dominant importance. One lies in the dynamic character of American economic life. The rapid pace at which American industry developed, especially after the World War, made it particularly irksome for employers to bother with the rules and regulations which are of the essence of the old trade unionism. Employers could not be interested in the protective features of these rules and regulations. What employers were concerned with was the fact that union rules imposed not only higher wage rates but also restrictions upon their capacity to organize and reorganize their plants to suit managerial and sales policies, and to hire and fire in accordance with the changing needs of their plants and establishments. From the employers' point of view, trade unionism was an expensive business, preventing the cutting of costs and the adjusting of prices to an expanding market based upon the purchasing power of large numbers of low-income people.

The other reason for American opposition to unionism is social and psychological. It centres around the idea of control. In a country which denies the existence of classes it is the chief expression of the desire to use wealth so as to gratify one's desire for power and distinction. The right to run one's business as one pleases, translated from abstract legal into social terms, means the right to control the destinies of hundreds of thousands of human beings who have no other means of making a living except by selling their labor. It means using industrial control as a basis for political and social power. Unionism, from this point of view, is a challenge to the absolute rights of property, to the social domination of the property-owning groups and thus a nuisance in the daily relations between management and workers.

In a way, the employer groups in

the United States may point to the record of the last ten or fifteen years as proving their success in their efforts to eliminate trade unionism from American industry. With the exception of the building trades, the railroads and a few other trades, such as printing, clothing and amusements, trade unionism in America has been on the decline since 1925 and has formed a diminishing factor in industrial life. This success was achieved through a combination of personnel policies, welfare schemes and employe-representation plans, by means of which the "welfare capitalism" of 1925-29 believed it had adjusted relations between labor and management forever.

But the very success of the employers turned out to be a boomerang. Had the business leaders found the magic formula for the continuous and successful operation of our industrial system, they might perhaps have solved the problem. But their failure to do so, as shown in the disaster of 1930-33, made it inevitable that the workers of the country should question the very premises on which the employers' policy was based. It is being asked whether the absence of self-governing workers' organizations capable of representing fully the interest of labor in industry might not have served as a brake on the wheels when the economic machine began sliding downhill. In any case, the inability of the workers to fall back upon their own institutions forced them to seek aid from the government and was thus an important factor in bringing on the very governmental control which business traditionally abhorred. It is in part due to the labor policies of business that we have witnessed the remarkable change in the mentality of the large masses of the American people who have suddenly become governmentally minded and ready to place their economic destinies in the hands of political authority and State agencies.

And once embarked upon this path we must follow the logic of our own course. A controlled economy, if it means anything at all, will mean more orderly procedure. Progress will be achieved without our being hasty, feverish and speculative about it. We can set our rate of annual growth and have dynamics without bombastics. That will mean that one of the old causes of anti-unionism will be eliminated by the changing character of our new industrial set-up.

Neither can the old principle of running one's business as one pleases have any validity in a system in which all business is subject to control and government supervision. Under a régime which is predicated on the social responsibilities of business, there is no less, if not greater, urgency for limiting the power of employers to make labor policies as there is to regulate their trade and price practices.

While the new trend toward controlled economy spells the end of the "open shop," it is also a decisive challenge to the old-time trade unionism. No serious student of labor organizations can fail to appreciate the great and constructive part which they have played in the economic, political and social life of the Western World during the last fifty years. With all its faults and limitations, the trade union has been a potent factor, perhaps the most potent factor, in gaining for millions of wage earners a better living, more humane working conditions, leisure and a sense of self-respect. The very rules and regulations which unions have developed, and which have been the bane of employers, have been historically a great contribution toward the rational protection of human

resources. In an age when employers thought only of money costs and price, the trade unions forced attention upon human costs and the welfare of the worker. In an age when employers carried competition to destructive extremes, trade unions tried to standardize labor conditions and to eliminate some of the worst effects of competition upon industry and the wage earner. In an age when employers and managers were inclined to be arbitrary and arrogant, trade unions fought for the protection of human dignity in the shop and aimed at constitutional government in industry. At a time when wage earners were still regarded in the mass as the lesser ones in the body politic, the unions were a force in bringing to the masses education, sociability and training in democratic citizenship.

But past merits assure no one's future. The trade union of the old type is one of the institutions which are passing. This is a fact not merely in America. It is a world-wide phenomenon. In all industrial countries the old form of unionism, known as "free" trade unionism, is having difficulties in maintaining itself, where it has not been entirely destroyed. With the exception of a few countries, such as Switzerland, Sweden and Belgium, the free trade unions have been losing in membership and in industrial importance. The reasons for this are several. The free trade unions are voluntary associations for the purpose of improving the condition of their members by pooling their bargaining strength and using it collectively. The success of the trade unions is based on the assumption of a free and expansible capitalism with a margin between what industry pays out to the workers and what it can pay out if forced to do so by the economic pressure of the workers. In the advanced industrial countries this margin was considerable during the major part of the nineteenth century and also for a brief period after the war—between 1925 and 1929, largely as a result of technical progress and of the growing utilization of the undeveloped resources of the world.

The success of the free trade union was generally a phase of the success of a free *laissez-faire* industrialism. Competitive capitalism made it possible for trade unions to play one employer against another or to act as a stabilizing factor in industry in relation to labor costs by the methods of collective contracts and minimum standards. As already pointed out, under a system of competitive preoccupation with money costs and prices, the unions protected the human element in industry. This was beneficial to the economic system as a whole and was more or less vaguely recognized. True, trade unions caused economic losses through strikes, but these were tolerable and less serious than other competitive wastes. Though there was a continuous outcry against industrial strife, it was a comparatively small price to pay for economic freedom and industrial progress.

The free trade union was also part and parcel of the political and social set-up of *laissez-faire* industrialism. Competitive capitalism, grounded on political liberalism and representative democracy, needed a certain degree of legalized opposition for its successful functioning. All forms of opposition within the recognized limits were safety-valves for the system as a whole. For over a hundred years, this fact was the basis of the sociopolitical system which we now look back upon as the great era of democracy. In this system, the political party, the trade union, the cooperative society, the Socialist organizations

were all allowed to play a constructive part in promoting small but steady economic improvements which confirmed the general faith in the continuity of progress.

Even before 1929 this system was beginning to give way throughout the Western World. Today the trend in economics and politics is too clearly in the opposite direction to be mistaken. In one form or another, every Western country is trying to bring its economic system under some sort of central guidance and to give conscious direction to industrial activities. Our very capacity to produce enormously makes it necessary to determine in advance what and how much we should produce. The size of our plants and the great quantities of fixed capital they represent call for general concern in using the savings of the people for industrial expansion. The large and simultaneous development of the same industrial mechanisms in many countries has created a new competitive situation in the world market which forces us to try to make the most extensive use of national markets by systematic and coordinated measures. And last, but far from least, the economic insecurity due to the increasing instability of economic processes makes for impatience with industrial freedom and feeds the increasing demand for public regulation and economic control.

Parallel with these economic trends are the changes in politics and social life. There is less and less tolerance on the part of all people for obstructive tactics on the part of employers or workers. There is less patience on the part of the community with industrial strife and struggle. There is a general tendency on the part of whole nations to reduce the amount of group conflict and to enforce national standards of economic conduct at the cost of limiting individual and group action. Opposition is no longer valued as a constructive force. What is wanted is quick results with as little conflict as possible. Impatience with the political impasse created by the indefinite struggles of conflicting economic and social groups feeds the movement toward executive and dictatorial forms of government, even in countries traditionally devoted to political democracy.

The free trade union under these conditions has but little chance for survival. Being voluntary in character, it can muster the consent only of minority groups of workers in the skilled and semi-skilled trades. Being limited in resources, it cannot cope with the large investments needed now to organize in the new and highly mechanized industries. Based essentially on craft or trade, it cannot cope with the new technological conditions of industry. Being pragmatic and opportunistic, it cannot keep in step with scientific method which is becoming more and more the *sine qua non* of industrial policy. Having as its major weapon the right to strike, it is a possible factor of economic and social conflict which the community wants to limit. Founded on the principle of protecting the interests of special groups of workers first and foremost, it cannot easily rise to a national and social point of view.

All the difficulties of the old trade unionism have been brought to the surface during the last three months by the mechanics of the National Industrial Recovery Act. Only a few of the existing unions have proved at all capable even of presenting their own case forcefully and convincingly before the public tribunal. This is not to say that the unions have made

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a poorer showing than the employers' organizations. But, with a few exceptions, they fell behind in the procession not only because they lacked funds and trained talent to present their case, but primarily because their method of bargaining fell short of the requirements of an economic set-up which in theory at least aims to replace higgling in the market by final appeal to the massed power of serried columns of statistics.

Were the old trade unionism to die without an heir, it would be necessary to find one for it, for there are certain functions in industry which cannot be properly performed except through the collective cooperation of the workers. First, such tasks as prevention of waste of materials, improving processes, bettering conditions of employment and maintaining morale cannot be properly carried out by being imposed from above under a system of public economic control. Second, promoting the larger economic and social welfare of the workers—in relation to housing, education, recreation—calls for active cooperation by the workers, management and the government. And, third, the interpretation of the rules of work and the adjudication of disagreements can be achieved with a minimum of coercion only if the workers can have a share in developing and using the facilities for a rational examination of facts and issues involved.

It is the recognition of these facts that lies at the root of the transformation of the old trade unionism of yesterday into the new quasi-public unionism of tomorrow. One may trace the beginnings of this change to the days of 1918-20 when unions in many countries of Europe obtained legal recognition for collective agreements, when labor courts, chambers of labor and similar semi-legal bodies were established.

But the change has been assuming a wider character with the growing trend toward economic planning and control since 1925. Today we may see the quasi-public unionism in operation in various forms and stages of development in Italy, Germany, Russia, Spain and other countries. What distinguishes this new unionism from the old is the public recognition it has as part of the economic and administrative system of the country, and its participation in carrying on those constructive functions which have been already described as peculiarly its own. Because of this the new unions have the aid of the government in recruiting and keeping their membership and in carrying out the tasks which are their special province. Union membership is thus a normal condition of the workers and not a result of hazardous promotion by "labor agitators."

In all countries this quasi-public unionism is accompanied by important changes in structure. As a rule, the workers are regrouped in large industrial organizations—with craft subdivisions—to be able to deal with the larger problems of industry. Local shop and factory units play an active part in the life of the establishment, stimulating interest in problems of production and management. Collective bargaining is carried on under specified rules so as to reduce the amount of wasteful higgling and haggling. And all efforts are made to keep the workers informed of the larger meaning of the economic policies pursued so that their cooperation may be self-directive within the limits assigned. Such is the general outline, though it is marred by many deviations, as witnessed by the vary-

ing degrees of genuineness and freedom allowed to the workers' syndicates in Italy, to the newly reorganized unions of Germany and to the established industrial organizations of Soviet Russia.

All evidence points to the development of some form of quasi-public unionism also in the United States. Every step in the direction of enforcing codes of fair trade and labor practices reveals the fact that neither the government alone nor trade associations alone can fully police industry. Nor can the government maintain an objective national labor policy by its fiat alone. For both purposes the government needs the willing help of workers acting in an organized capacity. On the other hand, some of the labor unions are beginning to realize that the organization of the workers cannot be achieved without government aid, and that the unions must go into partnership with the government to achieve the basic purpose of giving the workers protection under the New Deal. This means that the unions must make changes in structure and functions which would transform them into quasi-public organizations. Few American unions are as yet fully aware of the meaning of what they are doing, but such is the trend of the policies pursued within the past six months by the organizations of miners, clothing workers, railroad employes and others.

What the American form of the new unionism will be depends on the course of our economic life and on our ability to shape it more or less consciously. Under the National Industrial Recovery Act we have a chance of developing a more flexible and democratic type. This may not take place without a struggle. But the government has a great precedent and starting point in the War Labor Board of 1918. In the history and procedure of that body lie the roots of our own developments toward the quasi-public unionism discussed here and the basic ideas which can be harnessed in the service of our own American experiment.

America and the Russian Market

By MILES M. SHEROVER

[The May issue of this magazine contained an article on "Risks of Trade with Russia," by Vera Micheles Dean, research associate of the Foreign Policy Association. Another angle of the question is now presented by an American whose *first-hand* knowledge of Russia is based on several extended visits to that country and the experience he gained while employed as a business organizer by the Central Building Trust of the Soviet Union. Since his return to America he has become head of an investment organization *for the distribution of Soviet* securities in this country.]

THE question of Soviet Russia's financial standing has of late stirred the American public's interest in that country to a greater degree than at any time since the Bolsheviks took control of the State in 1917. The attention of government and business circles has been focused on Moscow by the necessity of expanding our foreign trade, by the immense possibilities of the Russian market and the almost complete collapse of our exports to Soviet Russia, which had reached the total of $114,000,000 in 1930.

Is Soviet Russia a good credit risk? The average business man judges a credit risk by the double standard of ability and willingness to pay. Soviet Russia, which has established a precedent by disregarding precedents, has set at naught the doubts and warnings of many American bankers and business men by coming through the world crisis with an enviable record of meeting all her foreign obligations promptly. In an era of unparalleled, world-wide upheaval, when moratoria, defaults and bankruptcies have been the order of the day in many a heretofore prosperous country, Soviet Russia has asked for no commercial quarter from her foreign creditors, has had no resort to extensions or "standstill" agreements, but has simply arranged to have hard American dollars in the bank on the day when her notes fell due.

Most of the nations that have experienced difficulties in meeting their external obligations have pleaded catastrophic declines in commodity and raw-material prices as justification for debt postponement. Russia, however, whose principal exports are commodities like wheat, lumber, oil, furs and food products, the prices of which fell to 50 per cent and in some cases to 25 per cent of their 1929 levels, never pointed to reduced export revenue when bills for imports fell due. Not only did Russia meet all her foreign commitments on time, but, contrary to the world trend of diminishing foreign trade, during 1930 and 1931 she actually increased her imports from abroad, her purchases in 1931 being 1,105,000,000 rubles, as against 836,300,000 in the year 1928-1929 of the Five-Year Plan.

An analysis of the methods by which Russia's financial solvency has been maintained reveals a trade strategy which many nations are likely to adopt in the future. Already a number of European countries, especially Germany, have inaugurated a governmental control of the import and export business that represents a radical departure from the *laissez-faire* at-

titude of classical capitalist economy.

"Planned economy" has of late become a loose term—a sort of magician's silk hat out of which Russia has been pulling all the achievements associated with her industrial progress. Nevertheless, the secret of her success in maintaining a balance in her international accounts must be sought in the Soviet system of planned national economy. Arrangements to meet foreign obligations as they become due are an essential part of Soviet planning. Actually how does a planned economy function in the realm of imports and exports and how can any national economy, however well planned, escape disaster in its international calculations when next year's bushel of wheat which was selling at $1.25 at the time the plan was being blueprinted nets only 50 cents when it reaches Liverpool? Also, what if, as the result of a bad crop, there is no wheat to sell?

The procedure followed is strikingly elementary. The fundamental rule established is that before any commitments can be made abroad, the funds must be on hand or certain to be available when the payment for the order becomes due. No matter how urgently certain equipment may be needed, no order will be signed for it unless the proper authorities have certified that provision has been made to meet the bill at maturity.

To begin with, the country's entire foreign trade is a monopoly concentrated in one organization, the Commissariat for Foreign Trade. In planning exports and imports this Commissariat has at its command all pertinent data gathered and analyzed by the State Planning Commission (Gosplan). This central planning body studies the productive capacity and natural resources of the country from the point of view of what can be most easily produced and most readily spared and exported to bring the largest possible return. A close analysis is constantly made by the Commissariat for Foreign Trade of actual and potential foreign markets and their capacity for absorbing such products as Russia can ship. In this Commissariat are concentrated a group of men who would be the leading export and import traders of other countries. Close contact is maintained with the lumber trust, the oil trust, the wheat trust, the mining trusts and all Russia's other productive enterprises.

Basing their calculations on the record of past production plus the quantities to become available by reason of the increase and expansion of plant capacity and the growing industrial efficiency of the country, the various producing trusts of the Soviet Union estimate their future exportable surplus. All these estimates are coordinated, existing price contracts and possible world price fluctuations are taken into consideration and a minimum figure that is likely to be realized on all exports is finally determined. To this figure are added the country's estimated gold production and the revenues likely to be received from the tourist traffic, remittances from abroad, the Torgsin stores, and other invisible items in the international balance of payments.

From this total all payments falling due within a given year are deducted. The balance establishes the limit for purchases to be made abroad by the import department of the Commissariat for Foreign Trade. The amount that will be available is then apportioned among the various branches of the national economy in need of imported equipment or products. Preference, of course, is given to those major industries which are of most vital importance in the country's produc-

tive scheme as a whole. In placing orders the commitments are segregated according to the years in which they fall due. All payments falling due in the year in which orders are placed are kept strictly within the limits established as already described. Obligations for future years are entered into with an ample margin of safety.

In capitalist nations, on the other hand, instead of this ordered control of imports, there exists a comparative anarchy in supplying the country's need of foreign products. Numberless importers compete with each other regardless of the possibilities of the country as a whole to secure sufficient foreign credits to meet a possible adverse balance of trade. Often excessive stocks of imported merchandise are brought in by individual traders, who thought the goods were cheap or felt they could be retailed quickly at a profit. If the individual trader guesses right, he fares well; if not, he goes bankrupt and the losses entailed are borne by the entire country in the form of higher prices charged by exporters to cover such contingencies.

While the Russian blueprint method of charting a nation's international trade has obvious elements of strength, it may be asked what provision has been made to meet such unprecedented price fluctuations as we have seen during the last four years. It is here that the Soviet system has shown remarkable resourcefulness and elasticity. Even in normal times an appreciable percentage of the credits extended by exporters to their foreign customers are lost through the bankruptcy of the purchaser. In the last four years this mortality has considerably increased. But, in addition to this factor, we have recently seen the spectacle of whole nations going into bankruptcy and even prohibiting their solvent traders from paying their debts to foreign firms.

The Soviet Government, on the other hand, exercises several forms of control to insure safety, if its sales abroad fail to produce the credit balances it has anticipated. In the first place, it can immediately reduce its purchases abroad. Secondly, the government, having complete command of the country's resources and productive capacity, can modify its export plan, changing the respective shares in total exports apportioned to the various commodities, so that gaps in certain lines are compensated for by increased exports of other commodities. Finally, there are the gold production and the gold reserve of the country to be called upon in case of need to meet adverse trade balances. The Soviet Union has had to resort to all three of these measures in varying degrees since 1921. When, however, prices are realized in excess of those anticipated, the Commissariat of Foreign Trade takes advantage of the additional resources thus created to increase its purchases abroad.

In addition to the control of foreign trade, there are several other factors which explain Russia's ability to meet her foreign obligations. The country is developing her resources under her first and second Five-Year Plans, which, whatever their handicaps, are undoubtedly a step ahead of the anarchic system of production and distribution of other countries. Under the first Five-Year Plan, the basic tasks of which were substantially completed in four and a quarter years, Russia more than doubled her industrial production (1932 output represented an increase of 119 per cent over 1928) and enjoyed an increased national income of 85 per cent. During that period the Soviet Union rose from fifth to second place in indus-

trial output among the nations of the world, and became transformed from a country of unemployment to one in which there is an actual shortage of labor. Secondly, the Soviet Union is one of the few countries in the world that have not been suffering in recent years from an unbalanced budget. Budgetary receipts exceeded estimates by 1,985,226,000 rubles in 1931 and, according to preliminary data, by more than 2,000,000,000 rubles in 1932, thus providing additional sums for the government's industrial investment program. Furthermore, having practically no external bonded indebtedness and only a relatively small amount of current short-term foreign obligations, Soviet Russia is free of the debt service burden which has unsettled most of the debtor nations of the world.

If the fifteen years of Soviet Russia's existence had been calm, with a stable price level, complete international cooperation and free access to the commodities and capital of the world, her record of prompt payment would have been impressive enough. Soviet Russia, on the contrary, has been excluded as a free purchaser and borrower, and her ability to build up export balances in America has been hampered by a constant stream of embargoes, investigations, allegations of convict labor, anti-dumping restrictions and all sorts of objections which unfriendly politicians and business interests have poured forth—in spite of the fact that Soviet exports to the United States, up to 1932, averaged only one-fifth of its purchases here.

Not only has the Soviet Union scrupulously fulfilled its promises, but during this period it has brought into being its Dnieprostroy, its Nizhni-Novgorod, its Magnitostroy, its Stalingrad and its countless other industrial developments which were scarcely conceived of a short six years ago. In any other country industrial expansion of this magnitude would have been financed by means of external loans. Denied access to the foreign loan market, Russia has had to build entirely with her own internal resources. Of the immense capital investments required by the first Five-Year Plan from 85 to 90 per cent has been paid for out of current budgetary revenue. But the results achieved are of historic significance.

Russia has entered her second Five-Year Plan with the foundations laid for rapid industrial progress. Her basic heavy industries have been expanded to three and four times their 1913 capacity and scores of new industries have been created. All this nationally owned plant and equipment is practically free of mortgage. Soviet Russia's foreign bonded indebtedness is less than that of any other European or South American country today.

In this connection, Russia has the further advantage of a monetary system well adapted to the Soviet economic structure. Whereas all her external business is conducted on a gold basis, or in the currencies of the countries with which she trades, her internal economy is carried on with a managed or controlled currency. The planned character of Soviet economy has made possible the operation of a monetary system in complete accord with the purposes of Soviet economy.

In evaluating the safety of foreign credits to Russia, one must not overlook the fact that the Soviet Union is one of the world's leading gold-producing countries. Russia knew that gold would be an increasing factor in her ability to enlarge her volume of imports and not the least of the efforts of the first and second Five-Year Plans have been devoted to the gold mining industry. It is estimated

that the country's gold mining operations yielded about $35,000,000 in 1931. Production has doubled in the past three years and prospecting on a wide scale is being carried on in hitherto unexplored regions of Siberia and the Far North. By the end of the second Five-Year Plan it is expected that gold production equaling that of South Africa will be attained.

The gold and precious metal reserve of the note issue department of the State Bank of the Soviet Union was 732,000,000 gold rubles (approximately $500,000,000 at present rates of exchange) on Sept. 1, 1932. In addition to this reserve the Soviet State possesses an undetermined, invisible supply of gold and foreign exchange (through the Torgsin stores) in the hands of its population, the result of the hoarding habits of the Russian peasantry under Czarism and during the turmoil after the revolution. How large this hidden reserve is can be gauged by the fact that the government's policy during the last two years of selling special goods to the population in exchange for its gold has brought in a sum estimated by Walter Duranty, Moscow correspondent of *The New York Times,* at approximately $75,000,000 during the year 1932.

By the criteria of ability to pay and of the record of payments maintained during nearly sixteen years of existence, the credit of the Soviet Union should be considered unimpeachable. What, then, has beclouded the question of Soviet Russia's credit standing? The one invariable argument encountered is that there are millions of dollars of Russian Czarist bonds held by American citizens which have not been paid. Regardless of the fact that there are today literally several billion dollars' worth of bonds of other nations which are in default and which undoubtedly will never be paid, let us look at the facts behind Russia's repudiation and see to what extent the charge of bad faith is justified.

Let it be said, even at the risk of repetition, that in the eyes of the Russian people the repudiation of the Czarist debt bears every moral, historical and even legal justification. These debts were never the voluntary obligations of the Russian people; they were never contracted by duly authorized and democratically elected representatives of the population. In July, 1906, the majority of the dispersed members of the first popularly elected Duma, in which radicals constituted only a small fraction, issued the famous Viborg Manifesto in which it warned the world that loans contracted by the Czarist Government "without the consent of your popular representatives are null and void. The Russian people will never recognize them and it will not feel itself called upon to repay them."

The Czarist Government, it must not be forgotten, was in a continual state of warfare with its own people for decades before the successful revolution of 1917. To finance these internal campaigns against the people the Czar's Ministers resorted to loans which French and German bankers were only too ready to grant for the sake of securing the Czar's military aid for their own international intrigues. That these loans were used to finance the Czar's terrorist régime and his suppression of popular uprisings is historically established. American investors fortunately bought none of these bonds until 1916 when, in spite of the unmistakable signs of rapid disintegration of the Czarist State, American bankers floated a Russian "war loan" in the United States.

The Russians are as jealous of their honor as are the people of any country. It was distinctly as a matter of honor and devotion to principle that they refused to pay the debts the contracting of which they had opposed by every means of expression available to them, and the purpose of which was to strengthen Czarist tyranny.

The only other ground given for the mistrust of the Soviet Government is that its control is in the hands of the Communist party and that Communists as a matter of policy would have no compunction in repudiating a debt if it were to their advantage to do so. This is a naïve point of view. The Communists are realists and as statesmen are no less practical than are those of any capitalist country. Business relations between coexisting Communist and capitalist States are inevitable because they are mutually profitable and desirable, and the Soviet Government realizes that such business relations would come to a quick halt at the first evidence of any default or bad faith on its part. Whereas the credit of a capitalist nation is nowadays scarcely injured by a default, since no question of principle is involved, a default by the Soviet Government would completely ruin its credit. Nobody appreciates this better than do the Communist leaders of Soviet Russia, and this helps to explain the extreme lengths to which they have gone to raise the funds necessary to maintain an unblemished record. To quote Colonel Cooper, the builder of Dnieprostroy, whose business contacts with the Soviets have extended over the past seven years, "the Russians will either pay or die."

Many people argue that the question of Russian-American trade relations is of only passing importance, for they feel that as Soviet industrialization progresses, the market for American goods in Russia will tend to disappear. Nothing could be further from the truth. Soviet Russia is not endeavoring to isolate herself economically but looks forward to an increasingly important place in the ranks of world-trading nations.

The second Five-Year Plan, the groundwork for which has already been laid, is far more ambitious in scope than its predecessor. While the advance in the heavy industries is to continue unabatedly, greater stress will be laid on the production of consumers' goods with a view to doubling or trebling output. All economic history substantiates the fact that a higher standard of living goes hand in hand with an increased foreign trade. That Soviet Russia is constantly striving to raise the standard of living of her people is undisputed.

Undoubtedly the sentiment for stimulating Russian-American trade relations is stronger today than at any time in the past fifteen years. Industrialists, merchants and statesmen have openly advocated the abandonment of our heretofore hostile policy toward Soviet Russia. One element in the business community, however, namely the bankers, have remained steadfast to their preconceived ideas, unmoved by irrefutable facts.

The tragedy of the bankers' unremitting antagonism toward Soviet Russia lies not in the fact that they have lost profitable business for themselves, but rather that in declining to finance American exports to that country, they have deprived American labor of hundreds of millions of dollars in needed wages. Incredible as it may seem, these same bankers have in the meanwhile been financing European countries and manufacturers

who, in turn, invested our funds in Russian business. The bankers' theory was that, while they were unwilling to lend money directly to Russia, they were obtaining an unquestioned guarantee of principal and interest through the intermediary of a third party, for example, Germany.

Three years ago the writer pointed out in an article on this subject that European sureties for Soviet obligations were not only useless, but had the effect of taking business out of America and placing it in the hands of our competitors. The events of the past two years have demonstrated that the business and money are both gone. Meanwhile, Russia, whom our bankers would not trust directly, had paid her debts regularly to Germany and to other nations whom we did trust. These payments, however, have not been transferred to us but have been tied up by Germany's "standstill" agreements, which, in plain English, means "We do not pay."

The bankers' attitude can be changed only by the pressure of enlightened business opinion and the establishment of normal relations between the United States and the Soviet Union. Political recognition of the Soviet Government and the settlement of all outstanding disputes between the two countries is essential if there is to be a mutually satisfactory trade and credit relationship.

Meanwhile, idle factories and workmen should not be compelled to wait for the gradual evolution of financial opinion. The recent $4,000,000 loan of the Reconstruction Finance Corporation to finance cotton shipments through the Amtorg Trading Corporation points to the road for the development of this business. How important an influence Soviet business can have on improving the present prospects for the revival in American industry can be gauged from the recent statement made by Foreign Commissar Litvinov at the London Economic Conference when he announced Soviet Russia's readiness to purchase $1,000,000,000 worth of machinery, equipment, raw material and live stock, provided satisfactory credit terms and normal conditions for Soviet exports could be arranged.

Obviously, Russian-American trade relations must remain relatively chaotic so long as emotion rather than reason dictates our course of action. We can never secure this inviting $1,000,000,000 market while prejudice perverts logic. So long as directors, bankers and executives of American business react to the mention of Soviet Russia with nerves instead of with thought, we must remain onlookers while others irretrievably capture what should rightfully be ours.

White Failure in the East Indies

By THOMAS STEEP

[A newspaper correspondent with long and varied experience, Mr. Steep was formerly in charge of the Far Eastern service of the *New York Herald Tribune.*]

THE world-wide economic depression struck equatorial Asia with the force of a typhoon. Its three years' fury has reduced the white man to a plight hardly calculated to sustain his prestige among the native Asiatics. In Java, richest of all the Dutch colonies, 3,000,000 tons of sugar lie in warehouses, unsalable even at prices below the cost of production; 175 sugar mills have shut down and 500,000 acres of sugar cane have been abandoned. Soon the wooden plow and the water buffalo of the native will convert them into rice paddies. Vast plantations of rubber trees, planted when it was confidently believed that the world's demand for rubber automobile tires would never diminish, have returned to the jungle of the black panther, the one-horned rhinoceros and the anthropoid ape. In Sumatra, Borneo, Celebes and New Guinea industrial stagnation has settled on markets once lively with trade in tin, teakwood, sandalwood, spices, rubber, beeswax, rattan, tapioca, indigo, coffee, sugar, camphor, copra, quinine, dyestuffs and lizard skins.

The Dutch East Indies provide a striking epitome of the universal depression. From these islands the world obtained 40 per cent of its rubber, 28 per cent of its tin, 95 per cent of its quinine and a vast quantity of tropical products. Yet the total value of exports, exclusive of gold and silver bullion, has dropped from 1,442,067,000 florins ($576,826,800) in 1929 to 547,800,000 florins ($217,120,000) in 1932. The decline in the first half of 1933, for which figures are not yet available, is believed to be even greater than in any of the previous three years. Rubber exports declined in 1932 to one-fifth of what they had been at their peak; in 1933 they have shrunk to almost nothing. The decline in the export of sugar, pepper, rattan, tree gums (for varnish) and tin has also reached a ruinous level.

The following table shows the comparative value in florins of the exports of fourteen commodities for the years 1929 and 1932:

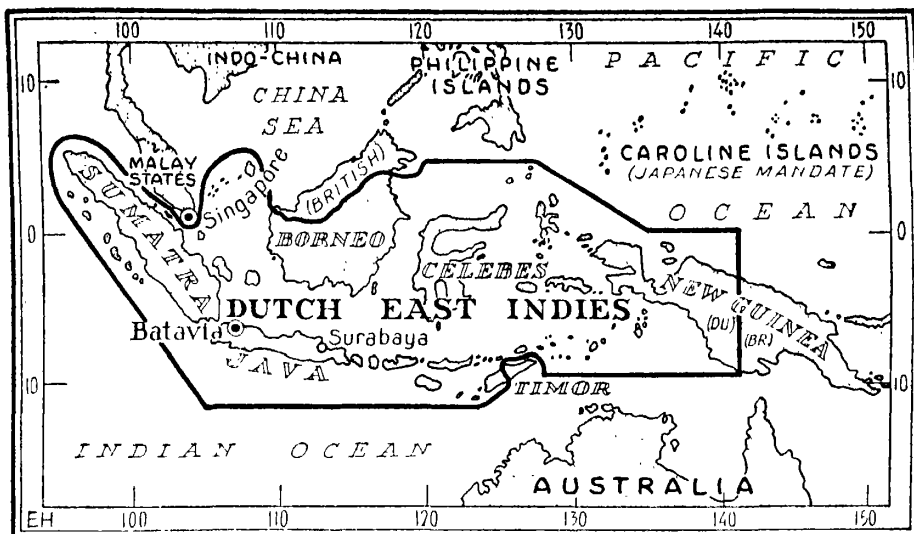
	1929.	1932.
Sugar	306,900,000	97,800,000
Rubber	231,330,000	34,100,000
Petroleum products	175,400,000	96,100,000
Tobacco	85,880,000	52,500,000
Tea	86,090,000	32,600,000
Copra	95,280,000	42,100,000
Tin	77,510,000	18,100,000
Coffee	69,550,000	35,200,000
Pepper	48,300,000	16,100,000
Palm oil	12,100,000	11,800,000
Cinchona bark	10,400,000	8,200,000
Rattan	7,100,000	2,400,000
Tree gums	11,900,000	2,500,000
Kapok (fibre)	13,410,000	8,200,000

The government of the Netherlands, of course, has resorted to every practical means to mitigate the effect of the depression in its East Indian colonies. It has effected an agreement with the tea and sugar growing countries to curtail production in these commodities; it is now seeking an arrangement with Great Britain to limit the output of rubber and it is encouraging the growing of more domestic rice to save the money spent on rice imported for native consumption. But so far these measures have been inadequate.

Hard times have forced the white man to leave these islands where he feared to lose "face" with the natives. In Surabaya, the "little Paris of the East" and the metropolis of Java, entire blocks of business houses bearing Dutch, German, Swiss, French and English names have been boarded up and their wharves are idle. The European merchant prince has sold his villa and departed, leaving his employes—the engineer, agricultural expert, chemist, planter and clerk—whose wages have been greatly reduced or not paid at all, to get home as best they can. In some instances the employer has been unable to give his workers the customary three months' pay with which to buy a passage. Enough European workers, either because of a lack of money or because of a fear of substituting idleness at home for idleness in the tropics, have disappeared into the squalid native villages, the kompongs, where their very presence suggests to the Malay and Chinese that the white man's superiority was not as great as it was supposed to be.

The Chinese, who outnumber all other foreigners combined, have joined the exodus. Migrating to the islands even before the Dutch acquired possession in 1602, the Chinese, by sticking doggedly to business and avoiding the squabbles of the Portuguese, English and Dutch, achieved success and amassed fortunes. They became influential in the gold and diamond mines of Western Borneo, in the tin mines of Banka and Biliton, in the tobacco industry of Sumatra and in real estate investments and small manufactures everywhere. A whole block of the waterfront in Surabaya was, until recently, owned by a Chinese who lived in a luxurious villa and was accounted a financial satrap. The Chinese made batik for the natives, shoes for the Europeans and wealth for themselves. But they were caught in the white man's economic collapse, and thousands of them are now stampeding aboard ships bound for Canton, some cannily concealing in their blouses bags of golden guilders, others with no more than rice-cooking implements, but they, too, are skeptical of the desirability of Western civilization and of the efficiency of Western industrialists.

The lure of the Dutch East Indies for the European has existed for generations, but it reached its height during the boom period, when it appeared that the Western world would continue to be an insatiable market for copra as a basis for facial creams, for sugar to supply syrups and candies, for lizard and crocodile skins to make women's shoes and handbags, for Sumatra wrappers for cigars, for spices and for a thousand exotic luxuries that grow in the tropics. Before 1929 the foreign population—other than the Chinese—increased by 250,000 Europeans, who were attracted by good wages and a comfortable standard of living. Seven-eighths of these were Dutch; the rest were German, English, French and Swiss.

No other corner of the world seemed to promise so abundantly, according to the taste of the foreigner, adventure, ease or fabulous fortune. Here, set in sparkling seas, was the Molucca group, whose very name—"the spice islands"—hinted of romantic repose; there was Borneo, where the indolent might scrape gold dust and diamonds from the hillsides, or, by extracting the sap of the sago-palm and pressing it into a cake, provide themselves by one day's leisurely labor with food sufficient for a month; Sumatra with its backbone of unscaled mountains and

The Dutch East Indies

unexplored jungles, inhabited by the black panther, elephant, rhinoceros, orang-utan, tiger, flying monkey and gibbon; and, the gem of them all, Java, where the white man, because he was white, could command natives to serve him soothing drinks, luscious tropical food and Sumatra cigars while he sat on a shaded veranda, profitably managing a sugar or rubber plantation. Many of the adventurers, who arrived intending soon to return home rich, remained to sleep away the years in the orchid-laden villas of Batavia—where there are no business signs visible save those of insurance agents—or were caught up in the commercial activities of busy Surabaya.

The riches of the Dutch East Indies, even if partly abandoned to the wilderness, await to be exploited by new adventurers. That may not be long, for the economic change which has precipitated the white man's flight from the East Indies portends a shifting of political influences in the Far East. Already Japan has indicated its desire to step in as the white man steps out. To the Dutch Government the Japanese have suggested cooperation in the Far East and have even proposed Japanese colonization on one of the islands.

The Japanese attitude is undoubtedly in part the result of being shut out from the great trade of India. On April 12, 1933, the British Government notified Japan of its intention to abrogate the Indo-Japanese trade treaty, in force since 1904; soon afterward a 50 per cent duty was imposed on cotton goods imported into India from Japan. The Tokyo Foreign Office described the British Government's action as "an aggressive tariff policy against Japan" and as "a matter of life and death" with Japan since it excluded Japanese goods "from an empire which embraced a sixth of the globe." On June 8 the Japan Cotton Spinners' Federation, as a retaliatory measure, voted to cease buying raw cotton from India. The Tokyo *Nichi Nichi* said: "The chief motive of Great Britain in denouncing

the treaty is a desire to oppress Japanese industries which are increasingly in competition with the British in the India market. Presumably Great Britain would see India out of all trade relations with Japan."

The rivalry for India's trade had been intensified by the use of a new weapon, depreciated currency. When Great Britain went off the gold standard in 1931, its business in India increased enormously, because Indian money could then buy British goods advantageously. But a few months later Japan also abandoned gold, the yen dropped and the natives of India, indifferent to British protests about cheap labor and subsidized ships, gave their patronage to the Japanese. Japanese business with India in 1932 was double that of the previous year. Japanese spinners, indulging in the belief that they were to enjoy a prolonged boom, increased their capacity by more than 1,000,000 spindles. They visualized a monopoly of the cheap cotton goods business in India. Then Great Britain suddenly imposed a prohibitive tariff against Japanese imports; Japanese spindles and looms abruptly stopped. The effect as described by the *Japan Advertiser* of Tokyo was "disastrous."

In search of new markets for the goods which had been excluded from India, Japan looked toward the Dutch East Indies. Even earlier Yosuke Matsuoka, Japan's chief delegate at the League of Nations, had visited The Hague and had informed the Dutch Government that Japan desired to cooperate in the development of the islands bordering on the Pacific. He likewise urged the desirability of Japanese immigration to Dutch East Guinea and the adjoining islands. But he hastened to assure the Dutch that his country's intentions were pacific.

Alarmed by this gesture, however friendly, and by reports that Japan, without the formality of negotiations, was planning a system of air bases on some of the outlying islands of New Guinea, to connect with existing air bases in the Japanese mandated islands in the Pacific, the Dutch ordered the Borneo militia to be on the alert. The little Dutch colonial navy and the Dutch colonial army of 40,000 men and officers elsewhere in the islands were mobilized. Apprehension spread that Japan, encouraged by easy victories in Manchuria and North China, was seeking to extend her empire toward the Equator, where there are 53,000,000 prospective consumers.

The British also were disturbed, for their stake is more than their possessions in New Guinea and North Borneo. A straight line drawn from Singapore to Australia and New Zealand cuts across the East Indian archipelago. Singapore, 8,200 miles from London, is the guardian and metropolis of the Malacca Strait, through which a large part of British trade passes to Australia, to New Zealand and to Hongkong. At Singapore the British have built a naval base—the largest in the Far East outside Japan—which in the opinion of British naval strategists was avowedly a move to check possible Japanese aggression toward British possessions south of the Equator. Certainly the Japanese considered the construction of the base as a hostile move. While the British Parliament wrangled over the desirability of expending the necessarily stupendous sums on the project, Japanese jingoes contended that the presence at Singapore, 3,000 miles from Yokohama, of a floating dock capable of receiving the largest battleship, of vast fuel oil storage tanks, of machine shops, barracks and a

wharf six miles long, was nothing less than an affront to Japan and was designed to discourage Japan from pushing into the South Seas. The fact that the money for the building of the Singapore base was for the most part provided by the Federated Malay States, Australia, New Zealand and Hongkong seemed to express a latent fear in those British possessions that Japan some time in the future might be a potential menace to them. That fear has been revived by the overtures of the Japanese to the Dutch Government. If the Japanese should gain a foothold in the Dutch East Indies, they would insert a hostile wedge between Singapore and Australia.

Cooperation by Japan in the economic resuscitation of the Dutch islands and colonization in New Guinea, as suggested by Mr. Matsuoka, would enable her greatly to extend her tropical ventures already begun in Formosa, to increase her supply of raw materials and to expand her market for cotton goods and manufactured articles. Japanese economic penetration of the islands would be easy. They would form an objective for any naval or air base she might establish in the Caroline Islands, the nearest of her mandate groups, and their inclusion in the Japanese sphere of influence would be consistent with the Japanese policy to dominate Asia.

The policy of Asia for the Asiatics, which has been interpreted by some to mean Asia for the Japanese, has gained momentum proportionate to the decline of the white man's prestige. That prestige was created by force and maintained by appearances —wealth, lavish living and an assumed superiority. Force is no longer applied and the Asiatics, particularly the Japanese, are no longer impressed by appearances—especially since the most striking is now the white man's return home, destitute.

The Drive for a Minimum Wage

By ETHEL M. JOHNSON

[*The author of the following article was for twelve years one of the commissioners of the Massachusetts Department of Labor and Industries, and in that capacity supervised the administration of the State's minimum-wage law. Miss Johnson is now assisting the State of New Hampshire to organize the administration of its new minimum-wage act.*]

WHEN the story of the depression is finally written, one of its sorriest chapters will deal with the attempt of less enlightened employers to break down industrial standards and to reap a profit in the midst of widespread suffering by a return to sweatshop wages and working conditions. On the other hand, those employers who have maintained decent standards while striving to keep their factories going and their employes at work have been seriously handicapped. They have been forced to meet competition from parasitic industries that exploited both the worker and the taxpayer through wages so far below the cost of living that they have been, in effect, subsidized by the community.

What do such wages mean to women who give their labor in exchange for $4 or $5 a week or even less, or to reputable employers who must sell their goods in the same market with the sweatshop products, or to taxpayers staggering under a burden made heavier by the increasing load of public relief and private charity, or to the public that purchases the products of such labor? How many prospective purchasers, looking at the "astonishing bargains" in dainty lingerie and smart frocks offered at prices only a little above the retail cost of the materials, ask themselves what part of that slender margin went to the women who worked on the garments? How many, recalling the bitter lines from Hood's "Song of the Shirt," ponder on the re-establishment of the sweatshop in the United States?

It was to do away with sweatshop conditions that minimum-wage laws were first enacted. The purpose of such legislation is to protect workers with little bargaining power—in this country, women and minors—from wages inadequate for decent, healthful living, and to protect society from the injurious effects of such wages. The minimum wage is the lowest wage that may legally be paid; it represents a level below which wages must not fall. Employers may pay as much more than the minimum rates as they wish, but they must not pay their employes less than these rates, which in the past have usually been based on the cost of living.

Minimum-wage legislation rests on the theory that industry has some obligation to its employes, that if it requires all their working time, it should pay them at least enough to meet the cost of living instead of passing part of this cost on to society. It assumes on the part of the State a responsibility for looking after those individuals who are economically weakest and for protecting them against exploitation.

The first real minimum-wage legislation was enacted in 1896 by the Australian State of Victoria. In 1909

Great Britain passed the Trades Board Act, establishing boards to set minimum rates of wages for certain low-paid or sweated industries. Minimum-wage legislation in the United States began with the enactment of the Massachusetts law in 1912; the following year minimum-wage laws were passed by eight States—California, Colorado, Minnesota, Nebraska, Oregon, Utah, Washington and Wisconsin. During the next ten years minimum-wage laws were enacted in eight more States and territories—Arizona, Arkansas, Kansas, Texas, North Dakota, South Dakota, the District of Columbia and Puerto Rico.

These laws differ in some of their provisions, the most important distinction being that one—the Massachusetts law—is recommendatory. The others are mandatory; that is, they carry a penalty, such as fine or imprisonment, for failure on the part of employers to pay wages at least as high as the established minimum rates. The commission administering the Massachusetts law may decree minimum rates but cannot compel employers to pay them. Its powers are confined to recommending the scale that should be met, and publishing the names of employers who fail or refuse to meet it. While the laws of most States provide for a special administrative body and for wage boards composed of representatives of employers, employes and the public to formulate the minimum rates, in several instances the rate is fixed in the law itself.

Minimum-wage legislation in Australia, Canada and Great Britain has been on the whole remarkably successful; but in the United States similar legislation has had a stormy history. Unlike the British system, American minimum-wage laws apply only to women and minors, not to men. This and other differences probably arise from the different industrial conditions of the two countries and from the extent to which the workers are organized. The laws in America were hampered from the first by court proceedings and finally, in 1923, the United States Supreme Court declared the mandatory minimum-wage law of the District of Columbia unconstitutional. Again, in 1925 and 1927, the court held the Arizona and Arkansas laws in turn invalid. State action, following the Federal precedent, annulled or repealed several other laws, until at the time the depression began only a few laws were in operation, and these for the most part had little effect.

The depression brought wage cuts—some in accordance with the drop in the cost of living, others out of all proportion to the fall in prices. Those who suffered most were the unskilled and unorganized workers, many of whom were women and minors. Unscrupulous employers took advantage of the general distress and paid wages that bore no relation to the value of the services rendered or to living costs.

Eastern garment shops appeared to be the worst offenders, though they were by no means alone in paying starvation wages. Extremely low wages were found in some of the shops making radio parts, toys and sporting goods, paper boxes, candy artificial flowers, lamp shades and various specialties as well as in some of the textile factories and shoe-findings plants. Many of these shops, particularly those making clothes, operated on very little capital. The owners migrated from sections where labor was well organized and labor laws vigorously enforced to localities where

unions did not exist and conditions appeared more favorable to less reputable employers. Sometimes Better Business Bureaus or Chamber of Commerce secretaries, in their efforts to achieve industrial expansion, attracted these parasitic industries to their communities by offers of free rent or other concessions.

In a certain Pennsylvania community the Chamber of Commerce is said to have paid $2,500 to bring a shirt factory to the town. The average wage paid by the factory was about $3 a week. After a few months, the factory moved to another locality, where a similar inducement was offered, and where the owners continued to pay the same low wages. Still more unfortunate was another community in that State. The Chamber of Commerce paid $1,000 and gave free rent, light and heat to induce a suitcase factory to locate in the town. After a stay of seven weeks the concern departed, leaving no assets and without having paid a single cent in wages.

A number of these "runaway" shops with low wage standards, attracted by the prospect of cheap labor and concessions offered by local industrial bureaus, migrated from New York to Massachusetts and Connecticut, where they created serious problems. The representative of a welfare agency in a large Massachusetts city complained that the relief organizations had to carry a needlessly heavy burden because of the starvation wages paid by some of the new industries that had located there. In some instances organized labor, recognizing the threat to its hard-won standards by these unregulated conditions, tried to help. In Lawrence, Mass., for example, an aggressive young labor official led a group of unorganized and frightened girls in a strike against low wages and bad working conditions, and secured an increase of several dollars a week for these employes. A newspaper woman, learning of the deplorable conditions in some of the textile centres where new industries of the mushroom type were springing up over night, determined to obtain the facts at first hand. In the guise of an applicant for a job, she visited a number of the shops and found definite confirmation of the reports. Following her disclosures, an official investigation was conducted. There were some cases of wages as low as 5 cents an hour.

The secretary of the Massachusetts Consumers League, in the latter part of 1932, disclosed that certain shops in the western part of the State were paying wages as low as 1 cent an hour. The Department of Labor and Factory Inspection of Connecticut reported that contract shops in the clothing industry that migrate from other States "employ very young girls, pay little or no wages and use the excuse of a learning period to pay nothing in some cases and then discharge the girls at the end of the learning period and take on a new group of workers."

Similar unregulated wage conditions have been found in other sections of the country. At the hearings before the California State Unemployment Commission in 1932, testimony was given regarding the low wages paid to laborers on some of the ranches. One woman reported joint earnings for her husband and herself of 45 cents to 75 cents a day for picking spinach at 2 cents a box, each weighing from 65 to 70 pounds. The Commissioner of Labor and Industrial Statistics of Louisiana, in his report for 1931-32, cited cases of restaurants which paid as little as 6 cents an hour

and which made charges against the employes so that a girl working full time would receive only $2.19 a week. He stated that some of the establishments making women's dresses were paying approximately the same low wages. The Commissioner of Labor of Oklahoma, in submitting recommendations for legislation for the present year, pointed out that the wages of women industrial workers within the past two years had fallen until they were "incredibly low."

At the end of 1932 the protection of effective minimum-wage legislation was never more urgently needed; yet never did the outlook for such legislation seem gloomier. Of the seventeen minimum-wage laws that had been enacted, two had never been put into operation; three had been repealed, and six had been declared unconstitutional, with respect to adult women, by Federal or State courts or legal authorities. The remaining laws, with the exception of the fair-wage law of Wisconsin, were hampered by lack of authority on the part of the enforcing body or by fear of court action. Then, when the situation looked darkest, there was launched a militant campaign for the adoption of mandatory fair-wage laws throughout the country. It was logical that the National Consumers' League should have initiated this movement, for it was Florence Kelley, long the general secretary of the league, who, in 1910, started the first campaign for minimum-wage legislation in the United States.

A Conference on the Breakdown of Industrial Standards, held in New York City on Dec. 12, 1932, at the call of the Consumers' League, was attended by officials of the labor departments from the principal Eastern industrial States. At this conference it was unanimously voted to start working at once for minimum-wage legislation. The point of view expressed by the State official from Pennsylvania was characteristic of the attitude of the conference. "We ought to have better hours legislation," she said. "We ought to do something about putting 14 and 15 year old children into employment. But the one piece of legislation that can do more for us at this time than any other would be the minimum wage."

The relation between low wages and unemployment was stressed by Frances Perkins, then head of the New York State Labor Department. "We are recognizing more and more," she said, "that as a part of the cure for the depression, we want purchasing power in the pockets of the wage earners; and we know that purchasing power rests upon wages which are adequate to supply something more than a subsistence level." As a means of promoting minimum wage and other protective legislation, the conference agreed to establish industrial standards committees in the various States. A committee of which Josephine Goldmark was chairman, with Felix Frankfurter of the Harvard Law School and Joseph P. Chamberlain of the Columbia Law School among its members, was appointed to draft a model minimum-wage bill for introduction into State Legislatures.

The measure prepared combines some of the features of the recommendatory Massachusetts law and the mandatory fair-wage law of Wisconsin. The fair-wage rates established would be recommendatory at first with the penalty of publicity for non-compliance. After nine months the rates would be made mandatory if that was necessary to secure general acceptance. Employers paying wages to women in industrial employment which are both less than a fair return

for the services rendered and below the cost of living would be subject to fine or imprisonment or both. This proposal is an attempt to meet one of the objections raised by the United States Supreme Court in the District of Columbia case with respect to mandatory minimum-wage legislation. In the opinion handed down at that time Justice Sutherland intimated that had the minimum wage been based, not on the cost of living but on the value of the services rendered, the court might have viewed the statute in a different light.

Strong support has been given to the new movement by the Eastern Interstate Conference on Labor Legislation, which met in Boston on Jan. 27, 1933. Official representatives of the Governors of Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Rhode Island attended. The delegates voted unanimously to urge the adoption of minimum-wage legislation in the various States, and to do this as much in the interest of employers as of employes.

"Thousands and thousands of women and minors in the States represented," the conference declared, "are working for a pitifully low wage. This fact means suffering to them. Not only is this true, but such conditions mean ruin to employers who would like to pay a living wage in competition with these starvation wages. A bottom level to wage cutting must be established. We therefore recommend a mandatory minimum-wage law for women and minors, and urge that it be adopted promptly in every State. We make this recommendation so strongly because we know that any individual employer in our competitive system is placed in an almost helpless situation when his competitors are cutting wages. We also know that for a woman or child worker, the alternative to accepting a sub-standard wage is to join the ranks of the unemployed."

In a vigorous plea that New York State should take the lead in this legislation, Governor Lehman on Feb. 27, sent a special message to the New York Legislature urging early action in adopting a minimum-wage law for the protection of women and children in industry. He stated that there was overwhelming evidence of the exploitation of such workers during the depression, and said that instances had come to his attention where women were paid as low as $4 for a full week's work. Answering the objection that no additional burdens should be placed on industry in these troubled times, the Governor said that he regarded the minimum wage, not as a burden, but as a protection to industry from unfair wage attacks. "I am confident," he continued, "that I voice the needs of industry in urging the necessity of assuring a bottom level of wages so as to avoid the continuous spiral of lower wages, lower prices, lower purchasing power and higher unemployment." A significant part of the message was that discussing the question of the constitutionality of minimum-wage legislation. Governor Lehman's opinion was that the mandatory fair-wage law he recommended would be held constitutional.

Similar opinion regarding the constitutionality of this sort of legislation was voiced by Miss Perkins shortly before her appointment as Secretary of Labor in President Roosevelt's Cabinet. In an article in the *Survey Graphic* for February, 1933, she wrote: "The hard times are giving us a sharp lesson in the need for enlarging our whole scheme of protective

legislation to include minimum-wage laws. * * * Legislation to safeguard the health of the worker against a less-than-subsistence wage is socially necessary. It is as important to the community as well as to the employe that men and women should be protected against starvation wages. Supreme Court decisions have slowed up the minimum-wage movement in this country. I am convinced that basically such legislation is in harmony with the principles of our Constitution."

In Miss Perkins's first public speech after her appointment as Secretary of Labor, she said that in the three weeks since she had been in office she had received 200 letters from employers telling how their industries were being ruined by competition with concerns paying starvation wages, and asking her to do something about wages in the United States. She declared that it was significant that there was now general recognition of the fact that the purchasing power of the wage earner had to be restored to provide a market for the great industries of the country.

The outstanding achievement of this campaign that began at the opening of the year was the enactment of minimum-wage legislation by New York State. The measure passed embodied most of the provisions of the model bill sponsored by the Industrial Standards Committee of the National Consumers League. It declares it to be against public policy for an employer to pay women and children a wage that is both less than a fair and reasonable return for the services rendered and less than the minimum required to meet the cost of living and to maintain health.

New York's adoption of this measure marks a new era in minimum-wage legislation in the United States. Hitherto, Massachusetts has been the only great industrial State, and the sole Eastern State, with such legislation. California and Wisconsin, semi-industrial States, enacted minimum-wage laws years ago. But with these exceptions, legislation until the present year had been confined to the agricultural or mining States where comparatively few women are employed in industry. This limitation of minimum-wage legislation mainly to the non-industrialized West had been a constant source of criticism of such legislation in America. Now that the greatest industrial State in the Union has enacted a minimum-wage law, that objection falls to the ground.

Upon the passage of the New York bill in the Legislature, President Roosevelt telegraphed to the Governors of the principal industrial States urging the enactment of minimum-wage legislation. Such laws, he said, represent "a great forward movement against the lowering of wages, which constitutes a serious form of unfair competition against other employers, reduces the purchasing power of the workers and threatens the stability of industry." In part as the result of his prompting, fair-wage laws were passed by New Hampshire, New Jersey, Connecticut, Ohio and Illinois. New Hampshire, at the time of the President's message, already had a minimum-wage bill before the Legislature. Meanwhile, Utah, which in 1928 repealed its minimum-wage law, had enacted a mandatory minimum-wage statute modeled on that of California.

The Roosevelt administration's belief in the principle of a minimum wage has been proved by the inclusion of a requirement in the National Industrial Recovery Act that every industrial code that is approved must contain the specification that employers shall comply with the minimum rates of pay approved or prescribed

by the President. In his public statement after signing the act, President Roosevelt said, with reference to the labor provisions: "The idea is simply for employers to hire more men to do *the existing work* by reducing the work hours of each man's week and at the same time pay a living wage for the shorter week." Explaining his conception of a living wage, he said: "And by living wage I mean more than a bare subsistence level—I mean the wages of decent living."

Although the National Recovery Act is an emergency measure, temporary in character, it will unquestionably exert a powerful influence upon minimum-wage laws by giving the sanction of the Federal Government to such legislation. Its scope covers activities "in or affecting interstate commerce." Temporarily the blanket code covers all American industry. There is reason to believe that the government will utilize the State minimum-wage machinery, where such exists, for enforcing the act locally. Presumably, also, there will be need for action under the State minimum-wage laws to supplement the codes and make them more effective. In any event, the policy of the administration should give impetus to the movement for fair-wage laws within the States.

As a means of putting the program for fair-wage laws into effect, Industrial Standards Committees have been formed in a number of States. These committees seek to create an informed body of public opinion which will aid in protecting the standards that have been won and in securing support for uniform codes of protective legislation throughout the country. They seek legislation which will safeguard from exploitation, not only the girls in the garment shops of New England mill towns where meager pay envelopes have excited widespread comment, but all women and children in all sections of the country who are subjected to the wages and working conditions of the sweatshop.

If they succeed, they will have accomplished much. If, beyond this, the movement results in a reawakening of the public conscience to social responsibility, to a clearer perception of the relation between industrial conditions and social problems, to a keener understanding of the danger to the entire economic structure that is inherent in bad economic conditions, if it inspires a stronger desire for social justice and a determination to achieve that ideal—then the tragic misery of the depression will not have been in vain.

The German Socialist Debacle

By LUDWIG LORE

[An active member of the German Social Democratic party for a number of years before coming to America, Mr. Lore has always been in close touch with the German labor movement. In this country he was for several years the editor of the *New Yorker Volkszeitung*.]

OF all the blows that the Hitler régime has struck at the economic, social and cultural life of the German people, none could have been more far-reaching in its consequences than the decree of June 22, 1933, dissolving the Social Democratic party and the organizations connected with it, for among working-class organizations the party was long the greatest, most compact and most influential in the world. Yet there was always an inherent contradiction in the German Socialist movement. In theory it was international and revolutionary, but in actual practice nationalistic and opportunist. This was the fatal flaw that brought about its tragic end.

The history of the German Social Democracy may be said to begin on May 23, 1863, when its forerunner, the General German Workmen's Association was founded in Leipzig under the leadership of Ferdinand Lassalle. But there was a second Socialist movement, known by the name of Eisenach, directed from England by Marx and Engels. In 1875, however, the two movements were united on the basis of the program adopted at a congress in Gotha.

That program was a compromise, which only Marx and Engels seem to have fully appreciated. Marx, in a criticism of it, which was not made public until years after his death, wrote: "The working class struggles for liberation from oppression first and foremost within the framework of the existing national State, with the consciousness that the ultimate result of its striving must be the international brotherhood of all nations. * * * In direct antithesis to the conception outlined in *The Communist Manifesto* and to all earlier conceptions of socialism, Lassalle looks at the labor movement from the standpoint of a narrow nationalism. * * * The [Gotha] program contains not a word on the international functions of German labor! Is this the movement that is to meet its own bourgeoisie, closely allied with the bourgeoisie of every other country?" Even when the party, at the Erfurt Congress in 1891, adopted a new program defining its economic aims more sharply, its attitude on international problems remained unchanged.

As early as 1870, when Bismarck engineered the Franco-Prussian War and the government demanded war credits from the Reichstag, Bebel and Wilhelm Liebknecht, the Eisenach Deputies, abstained from voting, while the Lassalle faction wholeheartedly supported the appropriations. "We could not vote 'No,' Liebknecht later explained in the Berlin *Vorwärts*, "although both Bebel and I saw through Bismarck's treachery and were bitterly opposed to the war. Our constituents would not have understood such a position. Social Democratic voters are still as easily

swayed by pseudo-patriotic influences as are those of the bourgeoisie."

From time to time groups formed and briefly flourished within the party in opposition to this obdurate drift to the Right. There was, for instance, the revolt of the *Jungen* (1890-1892) led by Bruno Wille, Werner and Wildberger in the years after the repeal of the anti-Socialist exception law, a protest of young intellectuals and workers against preoccupation with parliamentary affairs. Again, a few years later, Johann Most and August Hasselmann, members of the Reichstag, attacked the "parliamentary morass" and patriotism in which the Social Democracy was submerged.

When the Social Democratic Deputies in the Reichstag met before the vote of Aug. 4, 1914, to debate whether they should support the war policies of the Fatherland, the great majority favored such support for the same reasons as influenced Wilhelm Liebknecht in 1870. Dr. Lensch, who was in the minority in 1914, but later left the party for the bourgeois camp, commenting after the war on this incident, wrote: "The fear of these tribunes of the people of the displeasure of their followers was extraordinary. Of the forty Deputies who took part in the discussion, only two or three admitted concern with the precarious position of the Reich. Only one, Dr. David, emphasized the duty of every German to defend his Fatherland. The others all offered opportunistic arguments. It would be impossible to hold the electorate to the party. Its natural sentiments would drive it into the arms of those parties that stood behind the boys at the front. The truth that none of them dared to express was this—that in this hour all of them were Germans and felt as Germans."

At the outbreak of the World War the German Social Democracy was at what was up to that time the zenith of its power. In the Reichstag election of 1912 it had polled more than 4,250,000 votes. With 1,000,000 dues-paying members it was the largest political organization in the world. But it was a house divided against itself. Only rigid self-discipline and an idolatrous worship of the party as an entity had prevented a split long before the war. A minority emphasized the necessity of political power through revolutionary propaganda to prepare for a speedy socialization of society. The majority believed in adjustment to existing conditions, in reforming bourgeois society so that it might slowly "grow into the Socialist State." The Social Democracy protested against the war, but was unable to prevent it. More clearly than the party leaders themselves, the Kaiser and the general staff had seen the nationalist spirit that throbbed in the heart of the German workers under a superficial internationalism.

In the hothouse atmosphere of war this hidden nationalism grew until the class aspect of the Socialist movement entirely disappeared. Ernst Heilmann, for many years afterward chairman of the party in the Prussian Landtag, expressed the thought that unconsciously dominated the workers when he wrote, a few months after the outbreak of the war: "I am going to Hindenburg." In their famous statement of Aug. 4, 1914, the Social Democrats in the Reichstag had already assured Germany that "its poorest son is its most faithful son." The opposition led by Karl Liebknecht was derided, insulted and finally howled down. Not until the Social Democratic leaders were forced to realize that the nation was on the brink of military and economic catastrophe,

that disaffection and revolt were sweeping the country, did they sever their allegiance from the Kaiser and place themselves at the head of the revolution in 1918 lest they be left behind in the onrushing march of events.

Overnight the power of the State fell into the hands of the workers. The bourgeoisie, for the moment incapable of resistance, had capitulated completely. With anxious expectancy the world watched the situation. The Social Democracy was confronted with a tremendous task. But it failed because its chiefs, who had supported the war through thick and thin, became the leaders of the new order. They strove to consolidate conditions as rapidly as possible, even at the price of cooperating with those forces of old Germany that remained intact—the military caste, the bureaucracy, the industrial magnates and even East-Elbian Junkerdom. At the same time, prominent Social Democrats, eager to find places in the newly created Parliamentary machine, forgot that democracy can become and remain effective only if its principles prevail in all directions—that democracy must always be the means to an end, never the end itself.

After the revolution of 1918 the Social Democrats did practically nothing to prevent Germany's reactionary forces from regaining their influence. Behind the scenes the newly created Reichswehr played a rôle that surpassed anything to which the old army had ever been able to aspire. The judiciary was sacrosanct and continued its anti-republican practices. The old bureaucracy was left firmly intrenched and became the one permanent agency in a government of rapidly changing Ministries. Nationalistic tendencies of the most malignant type were allowed to develop. In the labor movement the idea of democracy was perverted to mean national unity and resistance to the foreign enemy. Despite international shibboleths and the talk of a European outlook, the mental atmosphere of the Social Democracy became one of narrow-provincialism. The Socialist International was used as a forum where German claims could be presented through Social Democratic spokesmen to the allied nations.

This state of mind was characteristic of Germany as a whole. For generations it had been fostered in the schools by the Prussian military caste. After the war the Social Democracy made many superficial but few fundamental changes in the school system. The internationally minded elements that strove for a reorientation of education received scant encouragement, and in many cases worked under the active disapproval of the Social Democratic leaders. Thus, in 1931, party members were forbidden to join the German Peace Society; membership in nationalist clubs and organizations such as the monarchist Kyffhäuser Bund, was tacitly permitted. Whatever prohibitions the Social Democracy imposed upon its membership tended to favor the Right and not the Left.

In reality the German workers were indifferent to political power. Their political organization reflected only the passion for order and the creative, constructive, acquisitive nature of the German people. It was the background of their efficient trade-union movement with a record membership of 4,000,000 on Jan. 1, 1933, despite more than 6,000,000 unemployed; of their cooperatives with 4,380,000 members, 50,000 retail establishments, 95,000 employes, an annual turnover of $180,000,000 and membership savings accounts totaling $20,000,000; of

their remarkable cultural and educational societies; of their exemplary system of social service. In recounting the achievements of the revolution the German Social Democrat instinctively turned to the material accomplishments of the last fifteen years—industries rebuilt, cities beautified, model tenements, schools, children's courts. The early governments of the republic acquiesced in every demand of the Allies because of Germany's state of mind that wanted to be left alone to put the country's shattered affairs in order and restore the national economy.

The economic organizations and the numerous societies and associations for sport, travel, music, drama, literature and other cultural activities in which the German workers were organized, were the roots through which the Social Democratic party drew sustenance. Consequently their immediate interests largely determined its methods and tactics. Last March 7,000,000 voters identified themselves with its program. Of these, 1,080,580 were dues-paying members of an organization with 9,972 local branches and a budget of $3,000,000. It was represented in the municipal legislative bodies of the country by 55,271 men and women. Of 2,148 representatives in German Parliaments, 662 were Social Democrats. Besides nineteen monthly periodicals, it published 234 daily and weekly newspapers with 7,500,000 daily readers, all of which were printed in plants owned by the party and edited by men and women appointed by the organization. All this now belongs to the past.

Since the revolution of November, 1918, not quite fifteen years have gone by. But the unchallenged power that the workers held for a brief and undecided moment has long since passed from their hands. Of the fundamental rights guaranteed by the Weimar Constitution nothing remains. Never before in history has a ruling group so spinelessly relinquished power.

One of the first acts of the Hitler régime after its establishment on Jan. 30 was a destructive campaign against the Communist movement. The party itself was outlawed. For a time the Social Democratic party was treated somewhat more tolerantly. Although its newspapers were banned, its Deputies still sat in the Reichstag and the State Diets. On May 1 the free trade unions called on their members to celebrate the National Labor Day proclaimed by the Nazi Government to demonstrate its ascendency over the working-class movement. On May 2 the General German Trade Union Federation and the workers' cooperative societies were "coordinated" and taken over by the State. On May 10 all buildings, printing plants, bank accounts and other property of the Social Democratic party were confiscated to safeguard—so the government stated—the property of the workers in the trade unions from being "stolen and squandered to support the Social Democratic party and its press."

The ease with which the Nazi rulers had been able to terrorize the political and economic organizations of labor led them to attempt the use of similarly high-handed methods in the field of foreign relations. But when the powers became disturbed, a session of the Reichstag was called for May 17 to secure official sanction for Hitler's arms policy. To prove that the entire German nation stood behind Hitler, Goering introduced a resolution completely endorsing the address as expressing the will of the German people. Describing the scene that fol-

lowed, the Berlin correspondent of *Politiken,* the most important Danish liberal newspaper, wrote:

"Every Deputy sprang from his seat—the Social Democrats with the others. A sensation! As the Social Democrats rise a glaring spotlight is turned upon them. * * * Old and young, they stand at attention. Perhaps one or the other at that moment thinks of the twenty Social Democratic Deputies who have been imprisoned in concentration camps. * * * Balconies and galleries thunder applause in which the honorables on the dais and at the Ministers' table join. Hitler applauds and with him the ex-Crown Prince. The Social Democrats are the recipients of all this vociferous approval. Are there any among them, I wondered, who feel this hailstorm of applause as if it were the lash of a whip?"

The vote of the Social Democrats at once raised a storm in the party and the Socialist International. According to Reichstag Deputy Friedrich Stampfer, former editor-in-chief of the Berlin *Vorwärts,* central organ of the German Social Democracy, "at first only a small group of the Social Democratic Deputies was prepared, for tactical reasons, to give silent assent to Hitler's speech on Germany's foreign affairs. * * * But after the government, through its Minister of the Interior, Dr. Frick, announced in the Ways and Means Committee of the Reichstag that the life of the nation stands above the lives of individuals, the majority yielded to this extortionate pressure."

The pretext the Nazis needed to suppress the Social Democratic party was provided by a number of its most influential leaders, including Otto Wels (the party's chairman), Dr. Breitscheid and Friedrich Stampfer, who had come to the belated conclusion that a legal Socialist party was no longer possible. A majority of the party's national executive, consisting of men and women who had escaped from Germany to evade arrest, submitted a letter signed by Otto Wels to the Socialist Labor International informing that body of the transference of the seat of the German Social Democracy to Prague and stating that his previous resignation from the executive had been decided upon by the party as a feint to evade reprisals by the Nazi régime. When this statement was received in Germany those Deputies of the Reichstag and the Prussian Landtag who were still in the country and not in prison issued, at a meeting in Berlin, a declaration to the effect that the seat of the German Social Democracy would remain in Berlin, that the party would continue to carry on its legal propaganda, and that no one who remained outside Germany could continue to act as a member of the executive.

With an incredible lack of realism in trying to ignore the real purposes of the Nazi dictatorship, the leaders of the Social Democratic party and of the free trade unions hoped that the promise of good behavior would save them. But the inevitable came, and they have paid dearly for their refusal to see the handwriting on the wall. The German working-class movement has been destroyed and has, incidentally, lost millions in cash and property which have fallen into the hands of their enemies as the spoils of an unequal struggle. Apart from the protests here and there, the movement, with its millions of followers, took the blow with fatalistic stoicism. What propaganda against the Nazi régime the Social Democrats are conducting is being carried on from Karlsbad, Czechoslovakia, where the weekly *Vorwärts* is being published and from

Saarbrücken where *Die Freiheit* appears daily.

The Communist party, with its 300,000 members and its 4,000,000 voters, might have been expected to proclaim itself the sole instrument of social revolution, but the failure of its efforts to organize the workers for resistance was due to much the same causes as those which brought about the downfall of the Social Democracy. Although most of the Communists had been members of the Social Democratic party, which they left in protest against its anti-revolutionary attitude, they were not themselves the material out of which revolutionists are made. Many of the younger members were inspired by the revolutionary spirit, but without a clear understanding of Communist aims. The Nazis copied the most effective propaganda methods used by the Communists, and in this respect as well as in aggressiveness and persistence, the two parties have much in common. This probably explains why the Nazis won more support from the Communists than from the Social Democrats.

When all is said and done, the Nazi movement triumphed because it presented itself as the sole representative of German nationalism and branded its opponents as enemies of the nation. The Communist party, too, gained much through its consistent opposition to the Versailles treaty and its harping on the subjugation of the German workers to international capital. What Otto Strasser, the radical National Socialist, who was expelled from the Hitler ranks, said in his *Schwarze Fahne* is not without truth: "The Communist party is closer to us than Hitler's perversion of the National Socialist idea." Superficially, the German masses accepted Marxist doctrine, but actually it was alien to them and they rejected its consequences. Socialism failed in Germany in 1914 because its leaders feared to lose voters; in 1918 because they dreaded the disorder and uncertainty of revolution, and in 1933 because they felt that the workers, trained to unquestioning obedience, would fail them in an attempt to resist recognized and established authority.

In a larger sense, what has happened to socialism in Germany reflects the attitude of the German people with all its virtues and shortcomings. But it was an attitude that paralyzed the fighting strength of the working class. The weakness of the Social Democracy lay in its too facile responsiveness to the unthinking reactions of the mass. Though there were in its ranks the outstanding Marxist thinkers of the world, its activities from day to day were unhampered by Marxist tenets. These were treasured like rare works of art or precious keepsakes taken out only on special occasions for the intellectual and emotional satisfaction they provide.

Yet this estimate does not necessarily imply that German socialism is dead. It suggests that fascism will be overthrown neither by the Social Democrats nor by the Communists in their present form and orientation. In due course the German workers are bound to reorganize, and a new movement arise on the ruins of the old, but it will have to lead where the Social Democracy only followed.

Is America Ripe for Fascism?

By V. F. CALVERTON

[The question of dictatorship and fascism in America, which has been discussed in previous articles in this magazine, is now considered from another point of view by the editor of *The Modern Monthly.*]

DAZED by the speed with which President Roosevelt has put together the pieces in the economic jigsaw puzzle of the nation and confused as to how it has been done, Americans are being told that their country is going Fascist and that President Roosevelt is gradually assuming the powers of a Fascist dictator. One commentator has maintained that what confronts us today is fascism in a garb that is distinctly and inimitably American. According to this interpretation we have produced a fascism which has not had to don black or brown or even blue or khaki shirts in order to establish its hegemony over the State. In other words, we have created a fascism without removing our white shirts or soiling our collars or even doffing our tuxedos and high silk hats.

But such a conclusion is both false and dangerous. First of all, the present American Government is not Fascist; President Roosevelt is as far from becoming a Fascist despot as Kerensky was from becoming a Bolshevik leader; America at the present time reveals none of the Fascist spirit and harbors no hidden Fascist forces which may suddenly spring from cover and overwhelm us; and, still more important, this country is at the present time, with the solitary exception of Soviet Russia, further removed from fascism than any nation in the Western World. Neither President Roosevelt nor the government he heads belongs to the same family as Mussolini or Hitler, though the President may be regarded as the American counterpart of the Italian Nitti or the German Bruening. The danger in describing the present American Government as Fascist, or even potentially Fascist, and President Roosevelt as a future Fascist dictator, is that it will blind the American people to the actual appearance of fascism if, or when, it develops here.

With fascism triumphant in both Italy and Germany, and with Fascist movements in Holland, Austria, Poland and Great Britain growing stronger every day, nothing should be allowed to obscure the signs of the birth of an American fascism. The confusion which has resulted so far in ascribing Fascist characteristics to the Roosevelt régime has arisen from a simple but dangerous error. Since both Italian and German fascism, as well as the Rooseveltian industrial recovery program, lead toward State capitalism, it has been concluded that they are all Fascist. But such a conclusion does not follow. Diabetes and tuberculosis may both result in death, but that does not mean that because they have a common end they are the same disease. Capitalist society throughout the Western World is being gradually transformed into State capitalism, but that does not mean that the process of transformation is everywhere the same. A Fascist dictatorship need not necessarily intervene in order to consummate that

transformation. All that is required is that the State take over industry and the banks and continue to pay interest and dividends to the holders of the bonds and stocks.

That the Roosevelt Administration is not even a potential Fascist régime is shown by examining what has happened in Italy and Germany as well as the Austrian, Dutch, Polish and British Fascist movements. Fascism is a militant uprising of the lower middle class in city and country. It finds its support among such divers types as farmers, shopkeepers, minor industrial executives, the professional classes and disillusioned radicals. The revulsion against Mr. Hoover in the last election and the overwhelming victory of Mr. Roosevelt cannot be interpreted, with even reasonable latitude, as a militant upsurge of that lower middle class in America, representing a form of fascism indigenous to this country, because fascism is more than a democratic protest against another political party. The history of the United States as well as of every other nation is full of such protests, but they are no more Fascist than is the development of President Roosevelt's economic program.

Fascism is not a movement of democratic protest functioning within the legal limits of a political party; it is a belligerent uprising that is from the start contemptuous of democracy and scornful of legality in every form. The earliest expression of the Fascist bid for power is the formation of extra-legal armies—storm troops, black shirt phalanxes—which are organized, supported and armed for the definite purpose of annihilating the anti-Fascists and ultimately seizing control of the State. Once control of the State has been usurped, contempt for democracy becomes more immediately and desperately manifest in the elimination of parliamentary government and suppression of all opposition in court, press, church and school.

Mr. Roosevelt's election and all the acts of his government since his inauguration have been as definitely and as unmistakably non-Fascist in character as have been those of Premier Daladier of France or as were those of President Wilson during the World War. Mr. Roosevelt was elected entirely without coercion, without illegal methods of any kind; at no time has he displayed any contempt for legality or threatened to destroy the democratic processes of government; and, still more important, in no way has he attempted to resort to extra-legal means to convert the State into a weapon of autocracy. His assumption of what seems to many almost dictatorial powers in his plans for industrial recovery does not in any sense make him a Fascist dictator—any more than did President Wilson's assumption of almost similar powers in 1917 make him a Fascist dictator.

Henry Steele Commager has observed that President Roosevelt's program has been "embodied into law not at the irresistible dictate of a Mussolini, but at the demand of and with the overwhelming approval of the American people." Although Mr. Commager may be exaggerating a little when he says that all that President Roosevelt has done has been with "the overwhelming approval of the American people," he is correct when he notes that it has all been achieved without the "dictate of a Mussolini." President Roosevelt's industrial recovery plan signifies the end of *laissez-faire* capitalism in the United States and the beginning of State capitalism, but that has nothing to do

with fascism as such, since none of the elements which make up the Fascist State are present in America.

If the Roosevelt régime is not Fascist, and yet leads in the same direction as fascism, namely, to State capitalism, does that mean that fascism is impossible in America? Not at all. The development of fascism in the United States is contingent upon the development of the same conditions as those which produced it in Italy and Germany and which now encourages its growth in other European countries. The first requisite for fascism is the collapse of a nation's economic system and, at the same time, a popular loss of faith in the possibility of recovery. The World War did more to wreck the economic stability of European nations than any other force, and once the war was over, in a whirlwind of frenzied finance and overproduction, one country after another began to reap the results of the disaster.

Soon after the war, the economic system began to break down rapidly in both Italy and Germany. As a consequence, the working class and the lower middle class became restive and violent, threatening the stability of the existing democratic State. In Italy the working class seized a great number of the factories and was well on the way toward the establishment of an anarcho-syndicalist State, when Mussolini's black shirts intervened and created a Fascist State instead. In Germany, where the workers were better organized and numerically stronger, attempts in several cities and States succeeded in establishing working-class rule. Until 1923, it seemed possible that Germany might follow the Russian example in forming a workers' republic. But foreign investments enabled the Social Democratic party, by betraying the Communists, to participate in the creation and control of a coalition democratic State. As soon as this coalition rule found itself compromised by economic failure, communism and fascism arose with the same rapidity that anarcho-syndicalism—the Italian brand of communism—and fascism had grown up in Italy. Thus, in Germany as in Italy, fascism resulted only when the economic system collapsed and when the populace had lost faith in its revival.

Fascism springs from precisely the same conditions that give birth to communism. Fascism and communism are variants of the same tendency. Both are due to economic breakdown and the misery that ensues; both represent the movements of classes that are convinced that there is no way out under the existing economic system.

The final test of the breakdown of an economic system is not to be found in the facts and figures presented by scholars and statisticians or adduced by radicals, but in the behavior of the mass of the population. For example, however insecure the American economic system may be, it has not broken down because the American people, the workers, as well as the lower middle class, have not yet lost their faith in it. That was demonstrated in the election in November when the two-party system retained the overwhelming support of the nation. Today, moreover, the vast majority of Americans have confidence in the Roosevelt administration. Added proof is also to be found in the failure of extra-legal forces to act as agencies for the protection of the interests of special groups and classes. Even already-existing organizations that are prepared to use coercive methods, such as the Ku Klux Klan and the American Legion, have remained quiet, un-

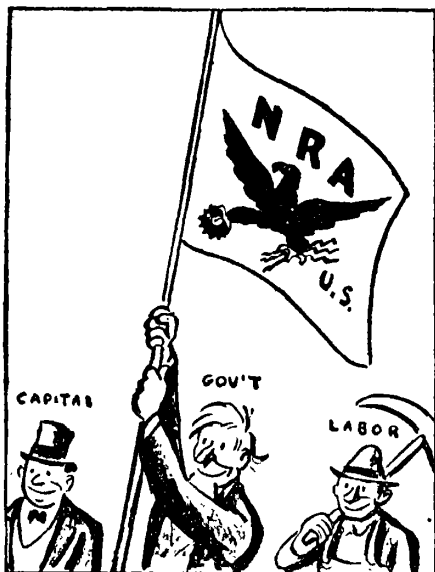
able to interest the people in their aims.

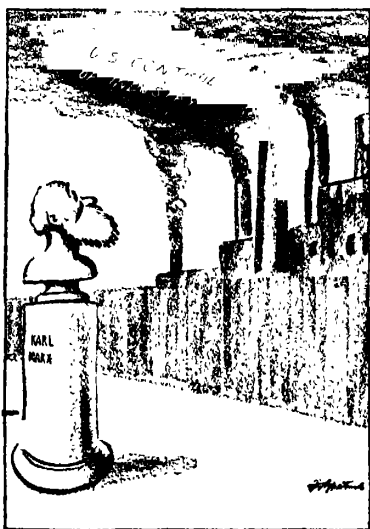
There is, however, another aspect of fascism which must receive attention if the absence of such a trend in America is to be understood. Fascism is not created out of a void; it is the definite product of social forces. Economic breakdown ruins both the lower middle class and the workers; the former are inclined to join parties with Fascist principles, while the workers turn to either the Communist party or some other revolutionary organization. Between these two groups almost constant warfare is inevitable.

The Fascist parties in Italy and Germany would probably never have appeared if there had been no revolutionary organizations of the workers. This is shown by the fact that the large contributions the Fascists received from the industrialists were for the purpose of enabling them to fight the radical workers. At all times militant working-class organizations which threaten to strike, and do often strike, for higher wages and shorter hours, jeopardize the interests of industry and trade. Furthermore, in times of economic crisis these organizations become strong enough to menace the permanence of private ownership in industry. Thus, the more complete the breakdown of the economic system, the more threatening becomes the revolutionary working class and, in turn, the more ready are the leaders of industry to support the Fascists in a struggle against the organized workers. Without this support—in the form of financial aid—the existence of a Fascist private army would be impossible; without such an army, a Fascist movement is doomed to failure.

But in America today there are no revolutionary working-class parties of any significance. Industry and business at the present time have nothing to fear from the Communists or from any other radical group, and therefore there is no reason for subsidizing any party or organization which, if conditions were different, could be used as a weapon against the militancy of the workers.

Fascism may develop in America, but not until the economic situation provokes it. If President Roosevelt's recovery program fails, the faith of the American workers and middle classes in the present economic system will undoubtedly be so greatly shaken that revolutionary working-class parties will appear on the one hand and Fascist legions on the other. The abortive "Khaki Shirts" may then be revived as a national Fascist order. Father Cox's "Blue Shirts" may come on the scene again. The American Legion and the vestigial forces of the Ku Klux Klan might no doubt play an important rôle; possibly the Legion might become the nucleus of a Fascist movement. In all likelihood, such a movement, following national traditions and seeking to offset the slogans of the militant workers, would adopt a program resembling that of the old Populist party. Perhaps a new Bryan in a khaki shirt would seek to assure the American people that he could save them from being crucified on a cross of gold. But if there is to be this sort of American fascism, it still belongs to the future, for no signs of it have yet appeared.

Current History in Cartoons

The spirit of '33
—Boston Evening Transcript

There's lots of missionary work yet to be done
—New York Herald Tribune

"Well, blow me down!"
—St. Louis Post-Dispatch

A little ahead of the parade
—Detroit News

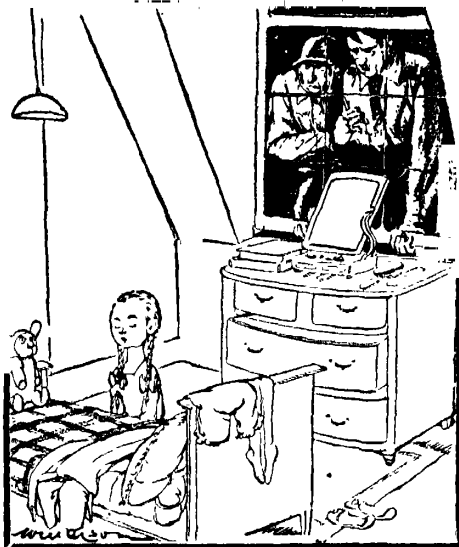
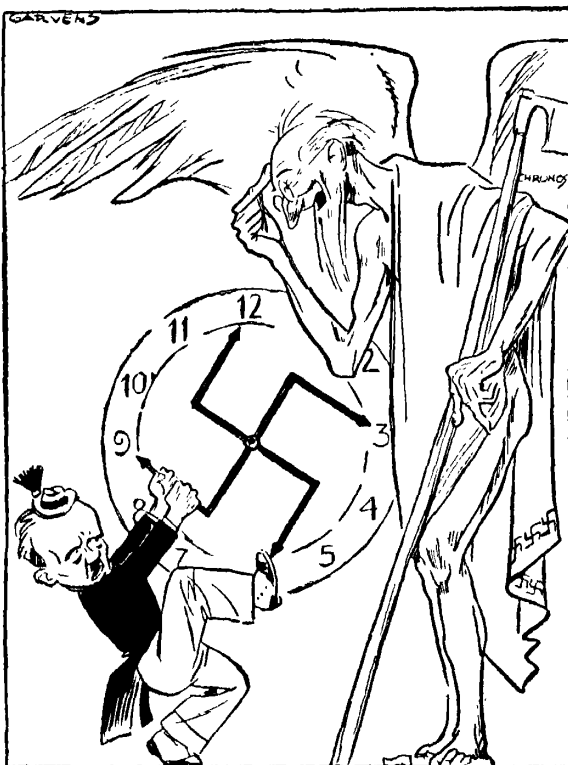
The patience of the angels
—*Evening Standard,* London

The jury failed to agree
—*New York World-Telegram*

A new specimen for the museum
—*Boston Evening Transcript*

"For she is the belle of New York,
The subject of all the gold talk"
—*Daily Express,* London

"Now that we have Manchuria, we can re-enter the League of Nations"
—*Jugend,* Munich

Sucker bait
—*Chicago Tribune*

"Now that we have the Concordat, you must not speak evil of Mr. Hitler—it is a mortal sin"
—*Le Canard Enchaine*, Paris

"Gott in Himmel, Adolf, how do we know what she is praying for?"
—*Daily Herald*, London

Father Time—"Push as hard as you like, Herr Dollfuss, you won't arrest the course of time"
—*Kladderadatsch*, Berlin

A Month's World History

Salvaging the London Conference

By ALLAN NEVINS
Professor of American History, Columbia University

THE hardy nature of international conferences was once more illustrated in July, when the economic gathering at London, having received what was almost universally diagnosed as a death blow, proceeded to live a full three weeks longer than was considered reasonable. On recovering from the first shock of President Roosevelt's message of July 3 bluntly refusing the cooperation of the United States in stabilizing currencies, a few of the delegates began looking about them to see what could be done in the way of considering uncontroversial subjects and reaching agreements that would allow the conference to close with some measure of credit. Not many had the courage to face the task.

Prime Minister MacDonald, the presiding officer of the conference, grimly feeling that President Roosevelt had repudiated the fair understanding reached between them at Washington in the Spring, refused to do anything about it. Neville Chamberlain, with his usual aplomb, also refused to commit himself until he had thought things over. Among most of the Continental nations represented at the conference the demand for immediate adjournment was unanimous and emphatic. An exception was furnished by the Scandinavian countries, which form part of the sterling group, and which naturally waited to see which way Great Britain would throw her weight. Georges Bonnet of France, the head of the gold bloc and originator of the stabilization scheme which President Roosevelt had rejected, limited himself to a glum statement that the conference had no alternative but to disband, leaving more vitriolic pronouncements to the articulate Paris press. Guido Jung of Italy and Dr. Hendryk Colijn of the Netherlands were vehemently in favor of adjournment, and at first it seemed that their irritation with the United States would incline them to block any proposals from American sources for continuing the work of the conference.

On July 4, the day after President Roosevelt's message of rejection, the various subcommittees carried out their scheduled meetings but without much interest. The corps of 500 experts and the lesser employes around the South Kensington Geological Museum believed that their jobs would soon be done. Nearly every one supposed that the steering committee, at a meeting which was called for July 6, would summon a plenary session of the conference and send the delegates home.

The American delegation meanwhile began to revive from the depression

into which President Roosevelt's declaration had plunged them. Secretary Hull had been described at first as a "stricken man." His leadership had apparently been brushed aside, and his advice on the European situation ignored by the President. Mr. Roosevelt had rejected his draft of the message and the President's substitute, written in the comparative isolation of a warship off the North American coast with the collaboration of only one adviser, Louis McHenry Howe, had destroyed at one stroke the basis on which sixty-six nations hoped to build some sort of economic system that would pull them out of the depression. Mr. Hull, sincerely devoted to international cooperation, discovered that Washington was for the time being too much absorbed in internal reconstruction to have any real concern for the fate of the conference. On the other hand, it was obvious that not a single nation represented at London would compromise its own interest very far to reach an agreement with other nations. Instead of a coordinated economic plan, nothing had been prepared for the parley except a conglomeration of proposals by which each nation hoped to obtain some concessions in favor of its own trade and finance.

French anger over the refusal of the United States to stabilize its currency was in large part the product of France's own precarious financial situation. M. Bonnet, returning from a critical Cabinet meeting in Paris over the week-end of July 3, knew that perhaps only a miracle could balance the 1934 budget, already estimated to show a deficit of 7,000,000,000 francs ($1,750,000,000 at par exchange). Yet observers predicted that failure to reorganize the French finances would bring collapse of the franc. M. Bonnet also knew, as he frankly told the conference, that speculation in the dollar might at almost any moment drag the franc from its gold perch. Since President Roosevelt refused to take the step that would make such speculation impossible, adding a bit of advice as to balancing budgets "in the tone of an irritated prophet," M. Bonnet was extremely grieved.

The financial situation of other countries of the gold bloc—Switzerland, Italy, the Netherlands, Belgium —all of which had taken steps to limit exportation of gold, was also difficult. These nations joined France in drawing up a declaration that they would adhere to gold. So uneasy was public sentiment in Czechoslovakia that, when the news was flashed to Prague that her delegation had failed to sign the declaration, a run on gold at the banks reached panicky proportions. The Czechoslovak delegate hastily repaired the omission, which had been due merely to oversight.

In this welter of cross-purposes, and amid general pessimism, the conference approached the decision as to whether it would continue. Members of the American delegation favored a recess of three months but not adjournment. The British Dominions, which had hoped to obtain agreements raising the price of their products, urged continuance. Prime Minister Bennett of Canada and Stanley M. Bruce of Australia pressed Neville Chamberlain to stand with the United States against adjournment. Moreover, they wished him to unpeg the pound from the franc and follow President Roosevelt along the path of currency inflation. But Neville Chamberlain remained adamant against the latter policy.

On July 5 Secretary Hull spent a

busy day. He had persuaded the conference to await word from Washington explaining the President's policies, and was in direct communication with the White House. By evening he had drafted a skillfully worded document to soothe the feelings of the gold-standard nations. They were quick to see, however, that no real concessions had been made and that the message was a diplomatic attempt to draw the attention of the conference away from the "minor issue of temporary stabilization" toward what were vaguely called the "great problems" of world trade. The United States would not control the fluctuations of its currency abroad, for President Roosevelt believed that in view of the internal situation it was unwise to undertake the exportation of gold in order to support the dollar.

The steering committee met on the morning of July 6. As the first speaker Secretary Hull at once assumed the leadership. In calm phrases he set forth the argument against adjournment. "We ought not even to think of breaking up until agreement has been reached in every possible case. Where we cannot reach agreements we ought to recognize our differences, but in a cooperative spirit." He asserted that nearly all nations had leaned too far toward economic isolation; he urged the delegates to take up this question and try to find some remedy for the evil; and he appealed to them not to go home when they had barely scratched the surface of the great problems they had come to solve.

Viscount Ishii of Japan, which had nothing to gain at the conference except improved diplomatic relations, tactfully endorsed Secretary Hull. Finance Minister Jung then explained that in Italy's opinion the American shift of policy had radically changed the basis for the conference. M. Bonnet came to his support, pointing out the inconsistencies of the American position. Without a monetary truce, he said, he did not see how the conference could continue. It was then the turn of Neville Chamberlain. Taking a conciliatory attitude, he said that both the United States and the gold nations were exaggerating. There were at least a few questions on which they could agree, and on certain others some compromise could assuredly be reached. In more vigorous terms Prime Minister Bennett of Canada argued against adjournment. How could the delegates go back home empty-handed? This note awakened sympathetic echoes among the score or more of delegates present, who were well aware that complete and admitted failure to achieve anything at London would result in political repercussions at home.

The drift of the meeting was by this time definitely toward Secretary Hull. Prime Minister MacDonald, who was presiding, expressed the opinion that most of the delegates seemed ready to go on with the conference provided they could find a new basis for discussion, eliminating highly controversial subjects. This was agreed to. A resolution was then adopted requesting each of the subcommittees to draw up a list of questions "which can in these circumstances be usefully studied by it." On this somewhat tentative basis the parley resumed activities, shaken and nervous from the experiences of the previous week but determined to prolong its existence and, if possible, smooth some ruffled national tempers. Much was done by Secretary Hull toward improving relations between the different delegations. Emerging from the comparative seclusion to which he had clung dur-

ing the early weeks of the conference, he took the lead in searching out "safe" questions which the gold nations would have no objection to discussing. Personally he made a strong impression of sincerity as well as skill in handling an extremely thorny diplomatic situation. James M. Cox, as chairman of the monetary division of the conference, also distinguished himself by holding in check members of the American delegation who were inclined to raise troublesome objections on minor points.

Pleased at the turn of events, President Roosevelt in Washington prepared a memorandum expressing his policy on the subjects before the parley. In doing this he had the advice of Norman Davis and Bernard Baruch. With a revival of hope thus achieved, the next question was what subjects of importance could be discussed by the conference. While the subcommittees wrestled over the agenda, M. Bonnet and his gold-bloc colleagues hastened to Paris, where they met at the Bank of France to discuss measures for safeguarding their currencies. They agreed to watch the speculative movement in exchanges, to set up a clearing house to keep each other informed, and in other ways to continue to act together.

Meanwhile Great Britain, who had hitherto leaned toward France on financial questions, seemed about to turn toward the United States and her experimental inflation program. In a discussion of the conference in the House of Commons, Neville Chamberlain declared that he agreed with the dominions that Great Britain's cardinal policy should be the raising of commodity prices. Following him, such diverse personalities as Winston Churchill and George Lansbury rose to approve President Roosevelt's course and to suggest that Great Britain take the same route—for at least part of the way. A few days, however, were sufficient to show that Great Britain was not going to embark on inflation, that the pound was to be maintained at parity with the franc and that by no means was unreserved adherence to be given to President Roosevelt's policy. She stood, as before, on safe middle ground.

The only tangible achievement in the next weeks of the conference was an agreement between the silver-producing and silver-using nations not to dump their holdings on the world market. The principal champion of this plan was Senator Key Pittman of Nevada. After much discussion, unanimous consent was given on July 20 to a plan by which for the next four years India, China and Spain will export on an average not more than 40,000,000 fine ounces of silver a year, and the United States, Australia, Canada, Mexico and Peru will sell no silver whatsoever, but on the contrary will purchase annually 35,000,000 ounces of the metal produced by their mines. Statisticians lost no time in pointing out that under this scheme the American Government would have to absorb a trifle more silver each year than it is at present buying.

Wheat production, the most vital subject in the commodity field, was not officially part of the conference agenda. Delegates of the four great wheat-growing countries—the United States, Argentina, Canada and Australia—held prolonged discussions looking to the fixing of export quotas. When Australia objected to any agreement which did not include restrictions upon the exports of the Danubian wheat countries, the discussions were widened. The Danubian countries, however, refused to accept the

quotas offered or to relinquish for longer than the current year their preferential agreements with certain importing countries. It was hoped that persistent negotiations would eventually bring about a compromise. But in the last days of July crop news from the United States and Canada indicated a reduced wheat production, which, of course, rendered the restriction of exports much less urgent.

Meanwhile, the conference proper had accomplished little. The new agenda of topics not related to financial considerations offered such slender fare that it was hard to see how the delegates could continue their discussions. A French proposal for general adoption of a public works policy to reduce unemployment met with a pointblank refusal from Walter Runciman, the British spokesman. A systematic campaign by Prime Minister Bennett of Canada and General Smuts of South Africa to cajole Great Britain into a price-raising policy by credit expansion also encountered the stony opposition of Neville Chamberlain. Two subcommittees of the monetary commission had been entirely abandoned, while in the economic commission the important question of subsidies had been given up and the committee on production found itself unable to proceed for lack of information. In the course of a week only two resolutions, both innocuous, were agreed upon: one declared for closer cooperation among central banks and between central banks and the Bank for International Settlements at Basle; the other for direct negotiation between debtors and creditors and better organization of creditors in each country. It was therefore with a sense of the inevitable that the officers of the conference decided on July 14 to adjourn temporarily on July 27.

Most people felt this confession that the conference was disintegrating to be overdue. For days special correspondents had been quietly drifting away from London. Finance Minister Jung had found it convenient to return to Italy; M. Bonnet was dividing his time between Paris and London, and Maxim Litvinov, chief Soviet delegate, had been absent since the parley reached its impasse on currency stabilization. There is no question that M. Litvinov carried away the greatest tangible successes achieved in London. [See Professor Furniss's article on page 757 of this issue.]

In the closing days of the conference only one mild sensation awoke the delegates from their torpor. On July 21 Secretary Hull forwarded to Hendryk Colijn, chairman of the economic commission, a resolution on tariffs, not for immediate discussion, as he explained, but for consideration during the recess. The proposal, while it laid down the principle of tariff reduction by bilateral or plurilateral negotiations, made room for President Roosevelt's industrial recovery program by a considerable list of reservations. That is, it excepted from the principle "new measures of emergency character" for the purpose of raising costs and prices, provided that any new duties imposed as part of these measures should be intended only to prevent "an excessive influx of imports of particular commodities," and should not be discriminatory as between nations. Secretary Hull's plan was carefully worked out, with an exact definition of terms and is calculated to give the experts who will remain at work during the recess the opportunity of elaborating a practical international tariff truce. As the gathering ended the delegates almost unanimously expressed the opinion that the world's greatest need is the removal of trade barriers.

After adjournment the fate of the conference was left in the hands of an executive committee composed of its chief officers or their deputies and representing seven nations—the United States, the Netherlands, France, Italy, Austria, Germany and Argentina. To them falls the task of organizing committees which shall explore subjects and prepare for a possible reconvening of the parley. If it is called again, they will decide where and when. Some optimists believe that plenary sessions will be reopened in the Autumn, but this depends on American progress toward currency stabilization and French success in avoiding a financial crisis. [Two other accounts of the conference, sent from London before its adjournment and written respectively by H. B. Lees-Smith and William Hard, will be found on pages 649 and 655.]

DISARMAMENT

When the Disarmament Conference at Geneva recessed over the Summer months, plans were made for informal negotiations on arms restriction. Eighteen months of work at Geneva had produced not the slightest tangible result and had left even Arthur Henderson, president of the conference, in a depressed state of mind. Rallying his spirits, however, he set out in July on a one-man campaign to promote his cause among the governments of Europe. He announced as the chief topic for consideration an extremely modest phase of the whole great problem—the control of the manufacture of war materials.

Mr. Henderson's first stop was in Paris for conversations with Premier Daladier and Foreign Minister Paul-Boncour, who suggested that if any practical method of controlling armaments could be agreed upon and tested for four years they might at the end of that period begin to disarm. The question was, How could the governments regulate the manufacture of arms, especially in private factories? They also pointed out that as far as general disarmament was concerned, they could not ignore the work of the Nazi government in reorganizing Germany's army as rapidly as possible under the guise of police forces. On the other hand, France realized that if no disarmament proposal was agreed upon, Germany would carry out her threat to bring her armaments up to the general level.

In Berlin Mr. Henderson announced a new plan. He said he would try to persuade Chancellor Hitler and Premier Daladier to get together and talk it over, since, if France and Germany could agree, the main obstacle to disarmament would have been overcome. To put the scheme before the Chancellor he traveled to Bavaria, where Hitler was vacationing. There he met the expected difficulty. Hitler "was not persuaded."

More significant news on armaments has come from the United States and Japan. The United States in July began a three-year naval construction program calling for thirty-two warships at a cost of $238,000,000. Japan, not to be left behind, drew up plans for thirty-six war vessels at an estimated cost of $50,400,000.

The Great American Experiment

By E. FRANCIS BROWN

It is Midsummer, 1933. The United States is engaged in a gigantic struggle to restore economic prosperity, to re-employ the millions of men and women out of work, to start again the wheels of industry, to restore the purchasing power of the farmers. The struggle is more than that. It is a fight between old ideas and new; it is a transition from one concept of "a political economic system to another." Donald R. Richberg, general counsel for the National Industrial Recovery Administration, has gone still further; he says that "the long-discussed revolution is actually under way in the United States."

That great changes were at hand had been apparent almost from the hour the Roosevelt administration took office. In the very way in which its members went about their tasks a new spirit was manifest, and as the various measures in the Roosevelt program were passed by a submissive Congress the New Deal was revealed to be far more than a revived progressivism. Fundamental to the entire drive for economic recovery is the belief in social planning, planning for industry and agriculture which will include the redistribution of population and the efficient use of national resources. President Roosevelt expressed this philosophy during his campaign a year ago; few of his listeners took heed. Now, however, they witness the embodiment of this philsophy in measure after measure, the greatest of which is the National Industrial Recovery Act.

This act was signed on June 16. A month later, though many codes of fair competition had been submitted, only one—that for cotton textiles—had been accepted and promulgated. General Hugh S. Johnson, administrator of the act, and the President had come to realize during that month that the adoption of codes could not be as rapid as had been hoped. Not only have those carrying on industries found it difficult to agree among themselves and on wage and work schedules, but the codes, once adopted, must run the gauntlet of public hearings and finally be accepted by the National Recovery Administration and by the President. Moreover, this delay, which probably was inevitable, permitted manufacturers to run their mills at capacity, producing goods for which the demand at the moment was non-existent, but goods which might later be sold at a fancy profit when the higher operating costs inherent in NRA became effective. At the same time wage scales and unemployment figures showed but little change. The prospect of production running far ahead of purchasing power and consumption was not pleasant to contemplate.

President Roosevelt and General Johnson therefore set about finding some way to overcome the barriers to immediate effectiveness of the act. Their twin purposes, their clues to recovery, are increased purchasing power and greater employment. With industry increasing production to a point wholly unwarranted by the

slight rise in purchasing power, General Johnson as early as July 7 warned industry that "if we get too far ahead of our purchasing power it will mean a new collapse." His warning was intended to speed up the submission of the industrial codes of fair competition in which a reviving business community was losing interest, but it also forecast the possibility of an obligatory code for all industry. Eventually a blanket code for minimum wages and shorter hours was drawn up by NRA and, since the legal power to enforce such a code was lacking, acceptance by business was made voluntary.

But acceptance was not altogether as voluntary as appeared, for it was thought necessary to use the methods of high-pressure salesmanship to force business into line. The campaign for adoption of the blanket code was opened by a nation-wide radio address by President Roosevelt on July 24. Calling upon the American people to join in "this great Summer offensive against unemployment," he outlined the theory of the National Industrial Recovery Act and set forth his faith in the soundness of its provisions as a way to pull the country out of the depression. The blanket code, whose acceptance he was urging, had been made public a few days earlier. It banned child labor, established a working week of thirty-five hours for industrial workers and of forty hours for white-collar workers. Minimum wages in industry were set at 40 cents an hour; the minimum wage for white-collar workers would vary, according to the size of the community, from $12 to $15 a week. Copies of this code in the form of an agreement between the employer and the President of the United States were distributed throughout the country and a drive for signatures opened which, by Aug. 1, had brought approximately 700,000 employers under the code. In order to mobilize public opinion behind the blanket code, every employer, on accepting it, was permitted to display the insignia of the "Blue Eagle," which identified those cooperating in the drive for recovery. A boycott of those concerns not displaying the Blue Eagle was suggested.

The blanket code became effective on Aug. 1, bringing to hosts of workers a shorter working-week than they had ever dared to expect. It is the hope of General Johnson and his colleagues that the restriction on the hours of labor and the increased purchasing power that will arise from higher wages will bring about almost immediately re-employment of a goodly proportion of the millions now without work. Estimates of the number likely to be affected varied all the way from a conservative figure of 2,000,000 to a total of 6,000,000; even the smaller number would make a noticeable dent in the total of 11,000,000 Americans that were estimated to be still without employment.

The first code of fair competition to be adopted was that for the cotton textile industry. Hearings on it, as submitted by the industry, began in Washington on June 27. The manufacturers proposed a forty-hour week throughout their industry and a minimum wage of $10 a week in the South and $11 in the North. Though organized labor sought to reduce the length of the working-week, the forty-hour provision was allowed to stand. Minimum wages, however, were increased to $12 a week in the South and $13 in the North. General Johnson and other members of NRA were known to favor a much shorter work schedule and yet, if one recalls that for years cotton textile workers fought for a forty-eight-hour week, the forty-hour standard was indeed an achieve-

ment. But most notable of all was the voluntary abandonment of child labor by the manufacturers. Thus came to an end an old evil which more than a generation of effort had been unable to stamp out. On July 17 the cotton textile code went into operation and by Presidential order, in agreement with those industries, was extended to include the rayon, cotton thread, silk and thread-twisting manufactories, affecting in all about 700,000 workers. This code, it was believed, would eventually force the hiring of about 100,000 additional workers.

Critics of NRA were not slow in pointing out that a tactical error had been made in permitting a forty-hour week to cotton textiles since the provisions of that code were certain to be copied by other industrial groups. Shipbuilders, for instance, asked for a forty-hour week in the face of a demand for thirty hours by the American Federation of Labor. After a series of stormy meetings in which neither the shipbuilders nor labor could agree on the length of the working week, General Johnson forced the industry to compromise by accepting a thirty-two-hour week in yards where government construction is under way and a thirty-six-hour week in all other yards.

Already, while many codes have still to be filed with NRA, and hearings have been held on only a comparatively few, certain problems, inherent in the regimenting of a complex, capitalistic economy have arisen. The first concerns the perennial conflict between capital and labor. Under the terms of the Recovery Act, employes are not to be discriminated against for joining a labor organization or for not joining a company union and are guaranteed the right of collective bargaining. Seemingly, here is a great opportunity for labor to advance its cause and to secure unionization throughout industry. The A. F. of L. has since the passage of the act been most active in organizing industry, competing at the same time, if reports are true, with employers who seek to establish company unions before submitting a code of fair competition. Such a contest, of course, involves the principle of the closed or open shop. For certain industries, particularly steel, the open shop has long been almost a religion, and they refuse to abandon that faith without a hard fight. In the hearings on the steel code, held on July 31, the industry, while affirming its belief in the principle of the open shop, accepted collective bargaining and agreed not to require employes to join a company union or to shun a free labor organization.

Whether apparent surrenders like this of the steel industry will actually insure workers collective bargaining and freedom from the coercion of company unions must await the test of time. Labor leaders certainly were unconvinced.

Another of the difficulties under the NRA is the fundamental one of agreeing on a code. Some of the basic industries, notably soft coal and oil, found it all but impossible to sink their differences. Separate codes were eventually filed by different associations of bituminous coal producers after a single agreement proved to be out of the question. The coal industry found its position complicated by widespread strikes in Pennsylvania which arose largely over the issue of union recognition. Though an oil code was submitted to General Johnson, its provisions were the subject of controversy between the major producers, the independents and labor. After three days of fruitless hearings, General Johnson decided on July 26 that

Federal officials would have to write the code themselves. Five days later he submitted to the industry a code which would establish control of production through an agency designated by the President. Previously Federal control had been extended over oil in interstate commerce.

Exactly how the blanket code and the codes of fair competition are to be enforced is a question arising in many minds. The licensing provision of the recovery act seems to provide for enforcement, but a law is not worth much unless there is really some one to enforce it. The textile code provides that the industry shall police itself, a plan that does not appeal to labor and that seems to leave many loopholes for violation, especially when industry has adapted itself to the new conditions created by NRA.

In the nation's press, a considerable section of which is covertly hostile to the administration's plans for recovery, it has been pointed out that the shorter working week and higher wages may well ruin the small producer whose efficiency is none too high. Thus it might be that in the end the forgotten man of last Fall's campaign would again suffer at the hands of the large-scale producer. At the very beginning concession had to be made to obtain the adoption by certain interests—retailers and bankers, for instance—of the blanket code. Its enforcement through the pressure of public opinion has been deplored as likely to arouse all manner of local jealousies and animosities as well as incitement to unjust persecution. Moreover, the arousing of emotional fervor to carry out the recovery program threatens to create a regimentation of conduct and opinion that will smother old civil liberties. In this regard the words of General Johnson, uttered in a speech at Harrisburg, Pa., on Aug. 2, are not without significance: "The whole nation is behind President Roosevelt and God help the man or group of men who stand in the way."

Liberal critics have regarded the position of labor under NRA with suspicion, fearing that in the end the worker will find himself worse off than ever. Will not minimum wages tend to be maximum wages also? Will not the right of collective bargaining become meaningless? Can workers strike in an industry that is operating under an approved code? Will not employers continue to exploit as always? What becomes of existing labor contracts? These questions are being asked in many quarters; the doubts they express are legitimate, though it must be added that the NRA leaders do not intend to favor unduly either capital or labor.

Certainly business is in danger of losing some of its old privilege. Donald R. Richberg told the Merchants Association of New York on July 6 that "unless industry is sufficiently socialized by its owners and managers so that great essential industries are operated under public obligations appropriate to the public interest in them—the advance of political control over private industry is inevitable." During the hearing on the steel code the Secretary of Labor criticized in forthright fashion the attitude of that industry toward working conditions and wage scales. General Johnson, however, at all hearings has been scrupulously non-partisan, insistent that neither employer nor employe shall use NRA for his own ends.

Another aspect of NRA has been somewhat neglected by its critics—its steady trend toward the left. Talking about a planned economy is one thing, putting it into practice another. Meas-

ures that seem adequate at first are later discovered to go only part of the way. If the original goal is to be reached, then control must be extended. Thus it is possible that in the attempt to regulate industry, to insure that production and consumption approach a balance, many familiar social landmarks will disappear, not least among them being the trade unions. [See Dr. Lorwin's article, "The Challenge to Organized Labor," on pages 669-675 of this issue.]

Public interest in the industrial clauses of NRA has been so great that the $3,300,000,000 public works program embodied in the act has been overlooked. Nevertheless, under the direction of Secretary Ickes, who on July 8 was made Emergency Administrator of Public Works, allotments for construction have been approved speedily. Mr. Ickes has divided the country into ten regional zones, each under a regional administrator, in order that the public works program may be carried out efficiently. Before funds are allotted for any project, the approval of the Cabinet Advisory Board of the Public Works Administration and of the President is necessary. Secretary Ickes on July 2, before his appointment as administrator, assured the country that as far as possible graft would be absent from the public works program. "We will seek," he said, "to safeguard all public works undertaken by us from corruption or graft. We will see to it that the works are carefully inspected during their progress so that the taxpayers of the United States who are so generously contributing to this vast fund for the common good may be assured that every dollar spent represents a dollar of value."

The program, whose aim is to provide employment for at least 1,000,000 men by Oct. 1 and to stimulate industry to such an extent that many other workers will benefit indirectly, moved ahead so rapidly that by Aug. 1 grants totaling over $1,000,000,000 had been made. Besides the $400,000,000 allocated to the States for highway construction and the $238,000,000 to be spent on naval construction, the projects approved by the Public Works Administration included $63,000,000 for a power dam and reclamation project in the Columbia River, $22,700,000 for flood control and reclamation in the North Platte River in Wyoming and $25,000,000 to assist the urban unemployed to settle on small farms where it would be possible to raise enough food for subsistence. "The plan," Secretary Ickes has said, "is not to get people out to farm a 150-acre place, but to provide them with a small tract where they can sustain themselves while partly employed." Many small projects have been approved and added to the public works program, but Mr. Ickes has emphasized repeatedly that this part of the NRA is not to be considered a "grab-bag."

Among the other government aids to re-employment are the Muscle Shoals development [see Dr. Morgan's article, "Planning in the Tennessee Valley," on pages 663-668 of this issue], a national chain of employment agencies financed by the Public Works Administration and the Civil Conservation Corps. In a radio address to the corps on July 17, President Roosevelt said: "You are evidence that we are seeking to get away as fast as we possibly can from soup kitchens and free rations, because the government is paying you wages and maintaining you for actual work—work which is needed now and for the future and will bring a definite financial return to the people of the nation."

Meanwhile, the Federal Emergency

Relief Administration, under the direction of Harry L. Hopkins, has continued its grants of relief to States. At the end of July the grants had been made for the most part on the basis of one dollar of Federal funds for every three dollars expended by the States. During May and June $51,531,731 was distributed among forty-five States, the District of Columbia and Hawaii. While appeals for aid during July declined somewhat as improved business conditions and seasonal factors lessened the burden on the States, grants were continued, bringing the total on July 25 up to $88,174,275. Mr. Hopkins has continually warned the States that they must do their part in raising relief funds; it was on that basis that in July he refused the request of Ohio for $4,000,000. In the hope of weeding out many individuals on the relief lists, the Federal Administrator has sought to coordinate his work with that of NRA and the Federal employment service.

While the Roosevelt administration's attack at the moment is upon unemployment, it must not be forgotten that in a slower and less spectacular manner the administration is carrying out other measures which seek to rehabilitate the nation's social and economic life. Among these is the refinancing of mortgages on homes. The Home Loan Bank Board has been establishing a nation-wide organization which will remove the threat of mortgage foreclosure that now hangs over the head of many a home owner. State managers of the Home Owners Loan Corporation have been appointed and gradually home financing institutions are being admitted to membership in the corporation. But the organization by Aug. 1 had not progressed far enough for fair judgment of its work.

Another of the emergency acts, that affecting the railroads, is becoming effective. Joseph B. Eastman, Coordinator of Transportation, announced on June 22 that the railroads of the country had been divided into three groups—Eastern, Southern and Western—for the purpose of setting up regional coordination committees. These committees, without official compulsion, are to work out economies in railroad operation, eliminating, as far as possible, uneconomic practices and duplication of services. Mr. Eastman is anxious to recover much of the traffic which the roads have lost to competing services, like motor trucks and bus lines. With that aim in view, departments have been set up at Washington to deal with freight service, car pooling and purchases. As one move toward economy Mr. Eastman told the heads of the principal railroads on July 14 that "salaries at or near the top" should be adjusted to changed conditions. "The railroads," he declared, "have been paying to various chief executives, and to some others, salaries which I believe the people of the country quite generally regard as excessive and unjustified." Meanwhile, the business recovery in the United States had been reflected in greatly increased railroad income. The Pennsylvania Railroad, for example, by repaying at the end of July a final instalment on a loan of $28,900,000 extended to it by the R. F. C., became the first large road to pay off completely its debts to the R. F. C.

The many-sided program for farm relief developed steadily during July. Wheat, in large part as the result of speculation following reports of a small crop in the United States, rose at the end of June to approximately a dollar in the Chicago pit. Nevertheless, the government applied a proc-

essing tax of 30 cents a bushel on wheat milling, which became effective on July 9. The new tax led immediately to a rise in the price of bread, with incidental charges of profiteering and threats of prosecution by the Department of Justice. Though still hoping that some good might come from the wheat conference in London, the Agricultural Adjustment Administration went ahead with its plan for wheat allotments and prepared to open an "educational campaign" in the West for the reduction of wheat acreage. As soon as county wheat production control associations can be organized, partial advance payments will be made to those farmers who contract to reduce their acreage. In the meantime export outlets for wheat and other farm products were being sought by the farm administration.

Following an appeal from the President and an intensive drive by the Agricultural Adjustment Administration, more than 10,000,000 acres of cotton had been offered for destruction by July 17 under the land-leasing and option plan. (See August CURRENT HISTORY, page 590.) About 3,500,000 bales of cotton would thus be taken out of production. Meanwhile, cotton, like wheat, rose rapidly in price on the cotton exchange, but in the face of a price that would seem to promise a profit to the Southern grower, President Roosevelt on July 14 authorized a processing tax of 4.2 cents a pound on cotton, effective Aug. 1. Reduction of the acreage of cigar-leaf tobacco was likewise under way. About $3,500,000 was to be distributed among tobacco growers in return for agreements to reduce the present year's crop by 50 per cent.

On July 31 an agreement for the marketing of milk in the Chicago area became effective after the Secretary of Agriculture had approved the code. To enforce the provisions, which aim to guarantee higher prices to milk producers and to end the periodic milk-price wars of the region, the licensing features of the Agricultural Adjustment Act have been invoked. Only producers and distributers who accept the agreement can obtain the license necessary for operation. Independent operators immediately threatened to test the constitutionality of the licensing system.

The Farm Credit Administration at the beginning of August was prepared to push ahead with its plans for refinancing farm mortgages. A large staff of appraisers has been gathered to conduct a county-by-county campaign for the purpose. Henry Morgenthau Jr., governor of the Farm Credit Administration, declared that since May 114,000 applications had been filed with the Federal Land Banks for refinancing. To some extent the increase in land values that has accompanied the rise in the price of agricultural products has weakened the demand for Federal aid since mortgage holders are unwilling to scale down their claims to the point necessary if Federal refinancing is to be applied.

To coordinate the complex machinery which has been established for recovery, President Roosevelt on July 11 created an executive council composed of the members of the Cabinet and the heads of the agencies set up by Congress. Frank C. Walker, treasurer of the Democratic National Committee, was appointed secretary and coordinator of the council which, in addition to the members of the Cabinet, consists of the following:

LEWIS W. DOUGLAS, Director of the Budget.

JESSE H. JONES, Chairman of the R. F. C.

HUGH S. JOHNSON, Administrator of NRA.

GEORGE PEEK, Administrator of Agricultural Adjustment.

HENRY MORGENTHAU JR., Governor of the Farm Credit Administration.

WILLIAM F. STEVENSON, Chairman of the Board of the Home Loan Corporation.

HARRY L. HOPKINS, Federal Relief Administrator.

ARTHUR E. MORGAN, Chairman of the Board of the Tennessee Valley Authority.

JOSEPH B. EASTMAN, Federal Railroad Coordinator.

ROBERT FECHNER, Director of the Civilian Conservation Corps.

As the recovery program has got under way, an amazing business activity has swept the nation. Though undoubtedly much of the increase has been speculative and the result of a demand for goods from retailers and wholesalers who hoped to stock up before increased costs of production curtailed profits, retail trade also showed an improvement that was significant even if it did lag behind the new business of manufacturers. *The New York Times* index of business activity rose from 93.3 for the week ended June 24 to 99.0 for the week ended July 15, but by the week ended July 29 the index had sagged to 92.0.

Employment naturally was affected by the revival in business. In June there was a gain of 7 per cent over May in the number of workers, though William Green, president of the American Federation of Labor, declared on July 25 that the rate of improvement was slackening and that about 11,000,000 persons were still out of work. This slow rise in employment with its attendant effect on purchasing power of course explains the necessity of the blanket code described above.

The business improvement was accompanied by a startling speculative movement in the stock and commodity markets that was reminiscent of 1929. On the New York Stock Exchange the volume of trading in June was the largest on record for that month. With the rapid turnover in securities, quotations rose to figures out of all proportion to real values until July 19 when a break occurred which brought about a rapid tumble in the value of stocks; commodities, which had been pushed to almost undreamed-of heights, likewise reacted violently. On July 21 the New York Stock Exchange experienced the fourth heaviest turnover in its history when trading totaled 9,573,000 shares. *The New York Times* index of fifty stocks showed a decline in value of 18 per cent during this period of liquidation. To avert what promised to be a disastrous collapse in commodity prices the Chicago Board of Trade in agreement with the Secretary of Agriculture restricted grain trading by regulations which included limitation on the fluctuations in prices during any one day. Moreover, the New York Exchange on Aug. 2 adopted new regulations, governing margin requirements, pools, syndicates, joint accounts and options, which were calculated to curb excessive speculation.

A rise in Treasury receipts for the first twenty-seven days of July encouraged government officials to believe that better business would make a balanced budget possible. For the fiscal year which ended on June 30 the deficit amounted to $1,786,000,000, compared with $2,880,000,000 for the previous year—the third year in which the government's expenditures have exceeded income. On July 5 the government put into operation a system of an ordinary and an extraordinary budget. In the second category will be listed all expenses entailed by the recovery program. While, thanks to economies and increased revenues, the government may be able to keep its ordinary budget in balance, the extraordinary expenditures will con-

tinue to increase the public debt from the present total of $22,611,204,500 to a figure which may eventually surpass the 1919 peak of $26,500,000,000. Meanwhile, Professor James H. Rogers of Yale and Professor George Warren of Cornell have been chosen by the President to study the national debt with a view to putting forward a refinancing program.

Considerable improvement in the government's financial position as well as in that of the local political divisions is certain to follow what now appears to be the inevitable repeal of the Eighteenth Amendment. During July, Alabama, Arkansas, Tennessee and Oregon voted for repeal, bringing the total number of States in favor of revising the system of prohibition to twenty. Enough States are now certain to vote on repeal before the end of the year to restore the liquor traffic in America.

Patronage has continued to disturb members of the Roosevelt administration, especially Postmaster General Farley, the dispenser of political plums. While the struggling for office has not been allowed to impede the work of the government, the throng of job-seekers has been a plague in the capital. On July 12 President Roosevelt dropped a bomb into his party's ranks in the form of an executive order requiring civil service examinations for all applicants for postmasterships. At the same time the President requested the Postmaster General to prepare legislation to be introduced at the regular session of Congress to place all postmasters on a strictly civil service basis. If such legislation is made law, 15,032 postmasterships, which have long been passed around as rewards for political service, will become career posts.

THE ISLAND DEPENDENCIES

The Philippines during July witnessed a heated political contest which revolved about the Hawes Independence Act. Manuel Quezon, who led the opposition to the law, manoeuvred his forces in the Legislature so skillfully that Sergio Osmena and Manuel Roxas, members of the Philippine Independence Mission and supporters of the Hawes Act, were deprived of their legislative offices. Roxas was ousted as Speaker of the House, while Osmena lost his position as president pro tempore of the Senate. Feeling against the act has reached a point where it is unlikely that the insular Legislature will ever submit the law to the plebiscite provided for in the independence act. Much of this hostility has been created by misrepresentation and is the result of a factional political fight, though it is undoubtedly true that many Filipino leaders consider that the independence bestowed by the Hawes Act is too restricted and uncertain.

The new Governor of Puerto Rico, Robert H. Gore, seems to have made a favorable impression in the territory. In his inaugural address, delivered on July 1, he suggested that an end to homelessness, hunger and unemployment might be found if large landholders would share their holdings with their employes. Governor Gore also protested against exploitation of the working class.

American Mediation in Cuba

By CHARLES W. HACKETT
Professor of Latin-American History, University of Texas

PEACE negotiations between representatives of the Machado government and of the various opposition groups were formally begun on July 1 with United States Ambassador Sumner Welles acting as unofficial mediator. The Veterans of Cuba's War for Independence and the Union Nacionalista, an outlawed political party that has long been a foe of the Machado régime, had on June 23 and June 27, respectively, accepted Ambassador Welles's good offices after three other factions had accepted his mediation earlier in the month. Only two groups—the Havana University students and the followers of ex-President Menocal—were now undecided about accepting mediation; while one out-and-out dissident faction, the High School students, on June 24 formally rejected the mediation of Mr. Welles. These three groups represent only a small percentage of the opponents of the Machado régime, so that their attitude was of slight importance. Juan Blas Hernández, noted revolutionary leader of Santa Clara Province who has been popularly styled "the Sandino of Cuba" because of his guerrilla warfare against government forces since he took up arms against Machado in 1931, consented on June 28 to accept Mr. Welles as mediator. He thereupon suspended hostilities and withdrew to his farm near Yaguajay.

Ambassador Welles began proceedings by reading a special message from President Roosevelt, first to the three delegates of the Machado government, and later to the eight delegates and thirty-two committeemen representing the opposition factions. In this message President Roosevelt said: "I am convinced that the restoration of political peace is a necessary and preliminary step on the way to Cuba's economic recovery. The representatives of all factions may rest assured that the moral support of the American people will be behind these attempts at a peaceable adjustment of Cuban problems through the orderly procedure of constitutional government." Ambassador Welles, in addressing both delegations, made it clear that his offer to serve as mediator had not been made until he knew that it would be accepted. His services, he said, merely implied an opportunity to present through him to the Cuban Government "suggestions proffered by representatives of those groups and parties in opposition to the government for a solution of the problems which exist," and for the representatives of President Machado to present their counter proposals in the same way.

On July 5, after holding a lengthy conference with representatives of the opposition groups, Ambassador Welles released the following statement: "This afternoon I had the pleasure to inform the opposition delegates that the representatives of the President of the republic agrees with a great part of the guarantee measures suggested by the opposition factions for

the development of the mediatory negotiations, and that other measures proposed are favorably considered by government authorities." Two days later representatives of President Machado guaranteed full protection to all opposition factions that had accepted the mediation of Ambassador Welles. That same day eighteen political prisoners were liberated, thereby leaving, according to Secretary of War and Navy Herrera, only forty-five still in prison.

It was unofficially reported on July 15 that the negotiations were progressing satisfactorily, but none of the more difficult problems had yet been considered. That same day the dissident student directorate of the University of Havana stated that they preferred to continue their "struggle against the Machado tyranny and to sacrifice" their lives rather than accept American mediation in Cuba's political affairs. "We cannot," the statement added, "enter into any discussion, even by proxy, with our executioners and assassins, nor acknowledge — a condition imposed by Mr. Welles—a juridical status which we will continue to consider illegal, since it emerges from the transgression of constitutional principles which we have heretofore held inviolate." The efforts of Ambassador Welles were loudly denounced in Havana on July 29 by a crowd of several thousand persons after they had been addressed by two students who had been liberated under a new political amnesty bill, signed by President Machado on July 26.

What was probably the sharpest rebuke by the general public to the Machado administration since the suspension of constitutional guarantees two years ago came on July 17 when all business was halted in Havana from noon until 6 P. M. as a protest against the government's plan to impose new taxes and increase existing ones. Six thousand persons, representing all branches of trade and industry, marched to the Capitol to protest to the House of Representatives which was then considering the tax measure, which had previously passed the Senate. To all appearances decidedly on the defensive, President Machado on July 26 visited the Cuban Senate for the first time in two years and in an informal statement to Senators regarding the mediation of Ambassador Welles, said: "Do not fear that the mediator is doing this on behalf of his government. He is acting entirely on his own. If it were not thus, either he would not be doing it or I would not be President of the republic. Not one single time has Welles gone over the President's head." At the same time President Machado reiterated his determination to remain in office until May 20, 1935.

A decree extending the suspension of constitutional guarantees in Havana Province for another year was signed by President Machado on June 23. Authorization for that action, the legality of which was in dispute, was granted to the President on June 21; at the same time he was given discretionary power to continue military rule throughout Cuba until the expiration of his term in 1935. The re-establishment of constitutional guarantees in Havana Province for twenty-four hours, beginning at midnight on July 15, was decreed in order to allow provincial electors to go to the polls for elections in several districts on July 16. The censorship on newspapers, which has been in effect for two years, was also temporarily lifted for the day. Ten days later President Machado informed the Cuban Congress that he had restored constitutional

guarantees in Havana Province as required for the continuance of the peace negotiations.

Women school teachers on July 22 staged a demonstration through the streets of Havana in protest against the non-payment of their salaries for eleven months. They demanded immediate payment, the release of Professor Felipe Donate, recently arrested for distributing subversive literature, and guarantees for the prompt payment of their salaries in the future. Fifteen of the teachers were arrested after their demonstration had been broken up by police reserves. A week later fifteen persons were wounded at Santa Clara when police and soldiers fired into a crowd of unpaid school teachers who had marched to the local prison to protest against the arrest of several of their number a few minutes earlier.

Cuba was threatened with a general strike as a result of the rapidity with which a walkout of street-car operators in Havana at midnight on Aug. 2 spread to other systems of transportation and to business and industry. Within forty-eight hours business throughout Cuba was practically paralyzed. Contrary to its usual violent methods in dealing with labor disturbances, the government ignored the strike and made no effort during the first two days to bring employers and workers together. There was, however, a minimum of rioting. Though a decree was immediately drafted to put Cuba under martial law, President Machado did not sign it because of the absence of serious violence on the part of the strikers.

CALLES PROMISES MEXICAN NEW DEAL

Leadership in a Mexican recovery program covering the six years of the next Presidential term, which begins in 1934 (the details of which were summarized in the August CURRENT HISTORY), was assumed on July 30 by former President Plutarco Elias Calles, known as the "Strong Man of Mexico." In an address to 10,000 workmen who filled the street before his Mexico City residence soon after he arrived from a four-month sojourn in Lower California, General Calles declared that Mexico did not want economic warfare and that in such an eventuality Mexico would cooperate to the fullest extent with the other nations of the American Continent.

The formation of a political bloc of Senators and Deputies for the purpose of promoting the candidacy of Rodolfo Elias Calles, the 33-year-old son of former President Calles, for the presidency of the dominant National Revolutionary party, was reported from Mexico City on July 9. Since 1924, when Rodolfo Elias Calles abandoned a commercial career to accept his first major political office as State Treasurer of Sonora, he has attained ever-increasing honor and prestige and at present is Governor of Sonora.

During the past fifteen years this State has dominated Mexican national politics through the vigor of such leaders as the late Alvaro Obregon and former President Calles. Because of his own ability, as well as the great influence of his father, young Calles will probably go far at Mexico City.

The improvement of trade relations between the United States and Mexico was discussed informally at a conference in Washington on July 27 between President Roosevelt and Mexican Finance Minister Alberto Pani. Accompanying Señor Pani to the White House was Ralph W. Morrison of San Antonio, Texas, who was a delegate to the London conference.

The refusal of a United States Consul, based on a technicality, to grant visas to Mexican Catholic young women who sought to go to the United States to study nursing in religious institutions, was set aside by United States Ambassador Daniels on June 29. Archbishop Pascual Díaz made a personal appeal from the Consul's ruling. He gave Ambassador Daniels assurances that the young women would not become public charges in the United States.

The killing by the United States Border Patrol of a Mexican citizen, thought to be smuggling alcohol across the Rio Grande, was reported to the State Department by United States Consul Blocker at Ciudad Juárez on July 10. He stated that indignation among Mexicans on both sides of the border had resulted in protests being made by the Mexican Consul General at El Paso and the Mexican Military Commander at Ciudad Juárez. These officials asserted that the United States Border Patrol was using guns without giving Mexican citizens crossing the river an opportunity to surrender.

CENTRAL AMERICAN NATIONALISM

Evidence of increasing nationalism in the Central American countries accumulated during July. To stimulate the production of foodstuffs in Nicaragua an additional customs duty of 12½ per cent was imposed on flour and rice in July. The posting of bonds of $500 with the government by Chinese who marry Nicaraguan women became obligatory early in July. The sums thus deposited will be used to repatriate the wives, should their husbands desert them, or to permit them to revisit their native land if they so desire. Traffic regulations and innovations established in Managua by United States Marines, who were withdrawn early in the year, were discontinued on July 8. The following day President Sacasa decreed that because of the depression only Nicaraguans would be permitted to work on government wharves and Nicaraguan ships.

Legislation requiring all insurance companies to deposit securities to the value of $30,000 gold with the National Bank for permission to continue operating was passed by the Nicaraguan Congress on July 13. In order to improve communications between the widely separated towns of Nicaragua, the government contracted with an Italian company late in July for air mail and transportation throughout Nicaragua. The contract is for three years and provides for air service to all cities where there are flying fields.

The arsenal of the Nicaraguan Guard in the Campo de Marte in Managua was wrecked by a terrific explosion on the night of Aug. 1. President Sacasa immediately proclaimed martial law in the capital and a state of siege for the rest of Nicaragua. The President said he believed that the explosion "was no mere accident," and began an official investigation.

In Panamá, increasing nationalistic sentiment culminated in a demonstration of 5,000 persons on the night of July 8 before the Presidential Palace in Panamá. The demonstrators demanded the deportation of unemployed foreigners as a relief measure for native workmen. President Arias promised that the government would take action to repatriate idle foreigners. Reduced appropriations for Panamá Canal work have resulted in the discharge of many West Indians who live in Panamá. Many of these have been returned to their homes by the Canal Administration.

The Passing of Irigoyen

By HENRY GRATTAN DOYLE
Professor of Romance Languages, George Washington University

HIPOLITO IRIGOYEN, President of Argentina from 1916 to 1922 and from 1928 until he was deposed by the Uriburu revolution of September, 1930, died in Buenos Aires on July 3. In failing health at the time of his fall, he steadily lost ground thereafter, and even his release from imprisonment, six months ago, brought no improvement in his condition. Rightly called "The Last of the 'Caudillos'," Irigoyen claimed as his outstanding achievements the maintenance of Argentine neutrality during the World War and the development of the Radical party. The former contributed, for the time being at least, to the prosperity of his country. The latter gave a concrete illustration, the first in Argentine history, of the power of an untrammeled exercise of the suffrage.

The funeral of the ex-President on July 6 was the occasion of a great popular demonstration of admiration for *"El Viejo"* (The Old Man), as he was called. The government decreed a State funeral and the traditional ten days' official mourning for its late political opponent, but refused to allow the body to lie in state in the cathedral or in a public square. Because of this refusal Irigoyen's daughter declined the State funeral and the proffered guard of honor of four regiments, but the government announced that the escort would be provided in any case. Admirers of the late President, however, took matters into their own hands. A crowd estimated at 250,000 assembled for the procession, over 50,000 arriving by special trains from the interior. When the coffin was brought down from the old man's apartment the mob refused to allow it to be placed in the hearse, and twenty young men carried it on their shoulders to Recoleta Cemetery. Police and army escorts were swept aside by the crowd, but the military participated in the ceremonies at the cemetery, the artillery firing a salute of twenty-one guns. Leading members of the Radical party, among them former President Manuel T. de Alvear and Honorio Pueyrredón, former Ambassador to the United States, delivered eulogies at the graveside.

Though never married, Irigoyen left four children, one of whom, a son, was reconciled to him before his death after having refused to speak to him for thirty years. A daughter, who had cared for him in his last illness, brought suit for the possession of Irigoyen's estate, which amounted to about $5,000 in cash, $20,000 in bonds and three ranches worth about $200,000, the larger two of which have been occupied for several years by squatters, from whom Irigoyen never attempted to collect any rent. This domestic and financial situation is important only because it illustrates the lack of orderliness which was a dominant characteristic of Irigoyen and which, carried into public life, contributed so largely to his fall.

In its editorial comment on the passing of Irigoyen, *La Nación* of Buenos Aires, a consistent newspaper

opponent, said: "He was our last *caudillo,* genuinely Argentine and genuinely [South] American, with the perspicacity, the penetrating divination of the defects of others, the craftiness of his type. Otherwise his influence and his ability to maintain his equilibrium could not be explained. One does not hypnotize [*sugestionar*] a whole country without possessing qualities to hypnotize on such an enormous and lasting scale. * * * In internal matters he administered without governing—administered by letting things go, by delay, by forgetfulness."

If Irigoyen, with the stubbornness perhaps inherited from his Basque ancestors and reinforced by the idiosyncrasies of an ailing old man, had not persisted in refusing to govern, had not allowed the national administration to go by default and ultimately to fall into chaos, he would probably never have been deposed. His hold on the people, even in death, provides ample evidence of this belief.

THE CHACO MUDDLE

The Gran Chaco problem, after having been shifted from the Commission of Neutrals in Washington to the ABCP group of nations (Argentina, Brazil, Chile, Peru) in South America, and thence—following the League's success in adjusting the Leticia dispute—to the Council of the League of Nations in Geneva, has been suddenly switched back to the ABCP powers. On July 26 it was announced that the two governments concerned, Bolivia and Paraguay, had proposed to the League Council that a mandate be conferred upon the South American countries mentioned to intervene in the Chaco question by the appointment of an investigating commission of five persons and that "this be entrusted to the governments of these four neighboring States in an endeavor to suggest to the belligerents a formula calculated to establish and guarantee between them a lasting and just peace."

The proposal, though submitted by the Paraguayan representative in Geneva, Caballero Bedoya, indicated that the governments of Paraguay and Bolivia were "in accord" in making the proposal. The suggestion for another change in the locale of negotiations came after a League of Nations commission on the Gran Chaco had been appointed on July 19, with a membership consisting of representatives of Spain, Great Britain, France, Italy and Mexico. Previously the United States had declined to appoint a representative. Furthermore, according to reports from Geneva, it came after the approval by both Bolivia and Paraguay of the appointment of the commission, which was to meet in Montevideo on Aug. 27. Two members of the commission were actually on the way when the shift was announced, and the League had insured the lives of the five members of the commission against death and disease.

Conflicting rumors as to the source of the sudden suggestion for a change in the negotiations and the reasons for the change were circulating at the time of writing. The League was variously reported as "stunned" and as being willing to confer the mandate requested. The ABCP nations were reported as in agreement on the conduct of the negotiations and as being hopelessly split, with Brazil ready to play a lone hand in sponsoring efforts for adjustment of the dispute. It was reported that Bolivia considered that three members of the proposed League commission were under Argentine, in other words, pro-Paraguayan, influence, and that the decision to meet in

Montevideo rather than to proceed to the Chaco was believed to have no advantages over a meeting in Geneva. The reported Argentine position that suspension of hostilities must precede negotiations—in which Argentina supports Paraguay—in opposition to the Bolivian stand that definition of the arbitration must be simultaneous with any trace, was another factor. Suspension of hostilities, it was said, would cause the question to revert to a purely diplomatic status and thus eliminate the necessity for a mandate from the League.

Heavy fighting in the Chaco was reported on July 6, with a general offensive by 25,000 Bolivian troops under General Kundt directed at Fort Nanawa, Paraguay's key position. The casualties were numerous, Paraguayan reports placing the Bolivian dead at 1,600 and the wounded at 3,000, while Bolivian reports claimed that more than 1,000 Paraguayans were killed. At the end of four days' fighting Paraguay reported that the Bolivians were routed, with heavy losses. On July 14 it was further reported that Paraguay had broken through the Bolivian lines at Fort Gondra, killing or wounding 3,000 Bolivians and taking 5,000 prisoners. These claims were denied by Bolivia. On July 29 Paraguay made charges to the League of Nations against General Kundt, alleging that he was preparing to use poison gas in the warfare, and characterizing him as a German mercenary determined to continue the fighting in the Chaco and "arrogating to himself supreme powers." It will be recalled that opposition to General Kundt's domination of the government was a factor in the overthrow of the Siles administration in Bolivia in 1930.

A Buneos Aires report on July 15 estimated the total number of dead from fighting or disease among the Bolivians at 20,000 and those rendered ineffective by wounds or disease at 35,000. The Paraguayan dead were estimated at 8,000 and ill and wounded at 17,000. This is the toll of more than a year of fruitless warfare.

SOUTH AMERICAN DEMOCRACY

July is especially rich in holidays commemorating the movement for independence in South America, for the month includes the Independence Day of Venezuela (July 5), the Proclamation of Independence Day of Argentina (July 20) and the Independence Days of Peru (July 28-29-30). Of even wider significance is the birthday of Simón Bolívar, "the Liberator," which falls on July 24 and to which special interest was attached this year because it marked the sesquicentenary of the birth of Bolívar at Caracas on July 24, 1783. The event was commemorated with special ceremonies throughout the Spanish-American world, while in the United States the day was fittingly observed in Washington, New York City and other centres.

It is only natural for commentators to ask how far the countries in whose liberation Bolívar, San Martín, Sucre and the other heroes of South American independence were the primary instruments have advanced politically in the 150 years since Bolívar's birth and the little more than a century since he died, broken-hearted and disillusioned, at Santa Marta, Colombia, on Dec. 17, 1830. Superficially, it is easy to take a gloomy view of the progress of democratic government in South America—to point to dictatorships, to the bad economic conditions which prevail, and to the revolutions of 1930, 1931 and 1932, which affected even Argentina,

Brazil and Chile, the countries which North American public opinion had come to consider as examples of politically stable and economically advanced republics. From such a point of view, it is not hard to understand the glib and somewhat patronizing clichés which have come to be the commonplaces of any discussion of Latin-American affairs. But, as is pointed out by Samuel Guy Inman, whose recent book *América Revolucionaria* (published in Spanish in Madrid) represents the opinions of an American whose knowledge springs from intimate contact, Latin America is "facing only the same, though more acute, problems which are profoundly stirring countries like the United States, Great Britain and Germany." The difference is that we, who have had centuries of experiment with democratic institutions, can be pretty sure of effective action through a free ballot. But Latin Americans desiring reform are often confined to the one "means of revolution." It was the "new style dictator" and his chief supporter, the American or European banker, who were, says Mr. Inman, the ultimate cause of the political disturbances of recent years, the immediate cause being the collapse of financially unsound national structures under the stress of the world-wide depression.

British Empire Economic Policies

By J. BARTLET BREBNER
Assistant Professor of History, Columbia University

THE World Economic Conference provided Great Britain and the Dominions with an opportunity to compare notes on the working of the Ottawa agreements and to discuss desirable changes in them. Conditions have altered considerably since the Ottawa Conference, perhaps most notably in the growth of protectionism in the United Kingdom. For example, during the last session of the British Parliament, the spokesmen for agriculture steadily campaigned for quota and tariff protection for British farm products, not only against foreign, but also against Dominion competition. Protests were also voiced both against Dominion manufactures entering Great Britain and against Dominion exclusion of British goods. The government was urged to take advantage of the presence of the Dominion delegates in London in order to conclude new bargains with them.

By the standards of economic nationalism there was justice in these arguments. Canada, for instance, in the year ending March 31, increased her exports to the United Kingdom by over $10,000,000, as compared with the previous year; at the same time her imports from Britain decreased by $20,000,000. In April and June, chiefly because of increased imports of British coal and iron and steel products, Canadian imports from the United Kingdom exceeded those of 1932, but the margin was slight. British textile manufacturers, in particular, have felt that their goods were being excluded.

All these factors promise to enhance the scheduled revision of the Ottawa agreements—in 1934 and following years—but so far as is known, revision was not the subject of formal treaty agreements during July. Temporarily the question of Dominion exports to the United Kingdom has been met by informal voluntary agreements on import quotas; meanwhile British exporters are preparing arguments for the imminent sessions of the various Dominion tariff commissions.

The currency relations of Britain and the Dominions have naturally received much attention. The central banks of Australia, New Zealand and South Africa have for months found it satisfactory to maintain precise relationships between their currencies and sterling because of sterling's stability in terms of gold and its facilitating their use of the London money market. But Canada's position is different, because of her relations with the United States in regard to most of her external trade and financial obligations. The Canadian dollar, therefore, has been a sort of football in the currency depreciation struggle between the United Kingdom and the United States, and during the first seven months of 1933 was clearly more sensitive to changes in the American dollar than in the British pound. This made a truly united British Commonwealth currency policy impossible.

Two things have somewhat altered the situation. When the United States ended its free gold market in March, Canada began to sell her monthly gold production "forward" in London, buying American dollars with the proceeds or meeting sterling obligations, thereby again weakening the ties between Canada and the London money market. Secondly, London was able to demonstrate that for eighteen months the pound sterling had been stable in terms of gold, whereas the American dollar had recently become singularly unstable as well as being at a premium over Canadian funds. For these reasons Canadian loans were floated in London instead of in New York. On July 30, for the first time in twenty years, Canada borrowed in London £15,000,000, maturing 1953-58, at 4 per cent. Canada's probable purchase of American dollars with part of the sterling loan would assist Great Britain in raising the rate on the American dollar in terms of sterling.

This loan was regarded as in keeping with the joint declaration on financial and economic policy made by the United Kingdom and the Dominions on July 27. The declaration was hailed as creating a sterling unit embracing the whole British Empire and the other countries now linked to sterling or willing to be so, but it is doubtful if Canada could be part of such a currency bloc. Her immense trade with the United States and money obligations are probably an insuperable barrier to immediate adjustment of the Canadian dollar to sterling. Even if North American economic relations could be altered, it would require many years to re-orient Canada's financial and commercial position. On the other hand, recourse to the London money market has greatly strengthened Canada in the commercial and financial manoeuvre which, since the Ottawa agreement has been carried on by Great Britain, the United States and Canada.

The declaration of July 27 was characteristic of the British Commonwealth of Nations because of its frank admission of existing differences, but it surprised those who thought that no agreement could come out of the World Economic Conference. It reaffirmed the joint policy of price-rais-

ing without monetary manipulation, noted the success attained already, and affirmed its faith in the ultimate necessity of a satisfactory international gold standard. Meanwhile the British and Dominion governments have agreed to direct their monetary policies toward maintaining stability of exchange rates within the empire and with other countries which might choose to join the bloc. As to proposals for economic revival by means of capital outlay on public works, the declaration said that "this is a matter which must be dealt with by each government in the light of its own experience and its own conditions." In general, the declaration was accepted as a move against inflation, a demonstration of continued imperial solidarity—particularly in relation to Canada—a great moral boost for sterling and a continuation of British efforts to enlarge the sterling trading bloc.

BRITISH DOMESTIC AFFAIRS

Those who had hoped for an improvement in British foreign trade have continued to be disappointed. The figures for June revealed an almost static condition, while for the first half year imports declined by 11.2 per cent and exports by 7.3 per cent. The whole subject was argued at length in Parliament on July 4 with satisfaction to no one except for what consolation might be found in the fact that the decline in British trade had been only 9 per cent, while that of the United States had been 27 per cent, of Germany 25 per cent and of France 14 per cent. The trade war with Japan received a good deal of excited attention. Special sessions of the East African Legislatures were held at the end of June to give increased powers to the Customs Departments, and there were many demands for action in India, Burma, Ceylon and Malaya. The government indicated that satisfactory progress was being made for an Anglo-Japanese conference on the questions at issue.

On the other hand, domestic improvement has been indicated by the continued swift decline in unemployment. The number of insured unemployed fell by 144,771 during June (464,957 since January) to a total of 2,438,108. The number of employed rose by 135,000 (508,000 since January) to 9,793,000, the best figure since June, 1930. The improvement was distributed over practically all industries, even coal, and was most notable in iron, steel, ship-building, construction and woolen textiles.

During the month sterling-dollar quotations ranged from about $4.40 to $4.86. Gold and foreign funds continued to pour into London until the last week of July, when speculators began to reflect a belief that the pound might be divorced from its recent stable relation to gold in favor of some degree of inflation. Neville Chamberlain on July 10 explicitly denied that the exchange equalization fund was being used to depreciate sterling. He and other official spokesmen repeatedly affirmed that the pound was not tied to any other currency. On July 26 he resolutely declared against inflation. Meanwhile, others in England, as for instance R. H. Brand, suggested that it was hardly practicable to plan for price-raising and at the same time to keep the pound stable at a level 30 per cent below gold parity.

The fluctuations of the American dollar and the Wall Street collapse seemed to corroborate hostile British criticism of President Roosevelt's program. Uncertainty was increased by the fact that about £20,000,000 of gold

was being held in England each month, only about a tenth of which was being added to the Bank of England's reserves (£191,000,000 on July 27). It was believed that most of the £20,000,000 represented private deposits, although a substantial proportion must be held by the exchange equalization fund. Moreover, by what was described as an "ingenious but immoral" device, the British Government took advantage of repudiation of the gold clause in American bonds to make payments in depreciated dollars on its 1917 war bonds in the United States, at the same time that it offered to convert them to sterling bonds at a lower rate of interest, with the pound figured at about a dollar below its current rate. This scheme gave American holders a large paper profit on conversion, allowed others to escape fluctuations in the dollar, and by encouraging British purchase of the bonds helped to depress sterling in the face of the dollar.

Mr. MacDonald revealed on July 17 that the long-cherished aim of converting British coal to gasoline was at last within reach. He pledged protection for gasoline either of at least four pence (8 cents) a gallon for ten years from April 1, 1934, or of the present eight pence a gallon for five years, in order to enable Imperial Chemical Industries to erect a £2,500,000 plant to manufacture hydrogenated gasoline from coal at a cost of about four pence a gallon higher than the present price of foreign gasoline. While lower costs—and prices—were hoped for, the immediate venture was held to be justified by the very considerable amount of employment in the factories and the mines which it would provide, with the added prospect that improved processes might raise the amounts of gasoline and coal above the contemplated 30,000,000 gallons from 350,000 tons of coal.

IRISH UNREST

While communism seems to be on the wane in Ireland, the government has been increasingly embarrassed by the growth of the new National Guard in opposition to the Irish Republican Army. President de Valera's position is now one in which he must find a policy which will curb both his impatient friends, the Republicans, and the Fascist supporters of the opposition, the Guard, before they clash. The National Guard held their first convention on July 10, when they abandoned the name Army Comrades Association, chose Eoin O'Duffy, the lately dismissed chief of the State police, as their leader, and announced their intention of parading in blue shirts and black berets on Aug. 13 in honor of Griffiths, Collins and O'Higgins. This defiance of de Valera's ban on parades in uniform invited a test of strength.

Informal negotiations to end the Anglo-Irish tariff war took place during the World Economic Conference, but the Irish Free State did not subscribe to the joint declaration of July 27. Remarks made on July 26 by Sean Lemass to the Irish Senate and by J. H. Thomas in London indicated that some progress toward understanding had been made.

President de Valera pushed all his measures through the Dail by July 15, including his revolutionary bill for the expropriation and subdivision of large estates, but the Senate was still maintaining its independent attitude toward the proposed legislation at the end of the month.

CANADIAN AFFAIRS

Canada has continued to share the joys and discomforts of the North

American economic readjustment. While fluctuations in the prices of commodities and stocks have been less violent than in the United States and the general trend has been upward, many Canadian speculators for the rise have been hard hit by sudden changes. The best sign of returning health is the increase in employment and the decrease in public relief. About 1,500,000 persons were on relief on June 1, with an estimated reduction of 500,000 by Aug. 1.

Extensive crop damage led in July to extraordinary advances in Canadian wheat prices although by the beginning of August these had fallen to about 80 cents for near futures. The newsprint industry showed an increase of 6 per cent in production in June and shipments were in advance of production, partly because of improved demand in the United States, but also because of a 50 per cent increase over 1932 in the British market. Foreign trade generally continued the expansion noted in May with increases in practically all categories. Exports and imports as compared with June, 1932, were $45,968,000 ($40,852,000) and $33,619,000 ($40,743,000).

Canada has no weapon powerful enough to fight with in the Anglo-American currency struggle which has so seriously affected her dollar. The pound, for instance, soared past parity in Montreal to remain for several days above $5, while the premium on the American dollar, which had been as high as 20 per cent, dropped to as low as 5 per cent. In the long run, Canada profited greatly by the depreciation of the American dollar, because her chief indebtedness is in the United States, and when her gold brought $31.48 an ounce in London, as it did on July 18, some of the disadvantages of the real depreciation of Canadian currency disappeared.

The new Canadian Socialist party—the Cooperative Commonwealth Federation—held its convention in Regina on July 17-18. Its existence has upset the party alignment in Canada, for it is likely to hold the balance of power in the next Parliament. The Conservatives have been trying to use it to destroy Canadian Liberalism, but Mackenzie King, leader of the Liberal party, responded by a speaking tour in the Canadian West during July. The new party's manifesto, which was extremely wordy, gathered in most of the usual socialistic proposals and added some obvious bids for the support of Canadian farmers. Socialization was to begin by taking control of banking and finance and then proceed progressively to public utilities and key industries. A tentative note has marked the whole movement since its origin last year when it made a vigorous start; much more clear and direct proposals seem desirable if it is to become powerful among the electorate.

A London dispatch of July 22 revealed the nature of the report of Lord Amulree's commission on Newfoundland. Since Canada is unwilling to take further responsibility in aiding Newfoundland, the island must give up its Dominion status and submit to rule by administrative order while a nominated, non-political commission governs the country and completely reorganizes its finances.

AUSTRALIAN SETTLEMENT

The Dean of Canterbury early in July suggested that Far Eastern tension might be relieved if an unsettled portion of Australia were allotted to Japan for colonization. Australia's inevitable violent protest was on this occasion distinguished from similar

reactions in the past by proposals for development by a British chartered company of a large area in the drainage area of South Australia and of two sections of the Northern Territory. Although in both regions State action has never gone very far, the proposal to permit the creation of large corporate private interests revived the classic Australian clash between supporters of private and State enterprise. The South Australian project, after expensive drainage, would open up arable land, but the Northern would be pastoral and involve the provision of fast refrigerator ships to handle a chilled meat industry.

SOUTH AFRICA'S GOLD TAX

The South African Coalition Government has succeeded, where neither party would have dared, in defeating the powerful Chamber of Mines by enacting a tax on the gold premium. The government's argument that it was merely taking a share of fortuitous excess profits which arose from its own action in going off the gold standard was courageously and intelligently presented by Mr. Havenga in London and his deputy, Mr. Duncan, in Cape Town. The new revenue promises to strengthen the budget position and to permit compensation and conservation projects which hitherto had seemed impossible.

GANDHI'S LATEST MOVE

The sittings of the Joint Select Committee on Indian Constitutional Reform continued into July. Naturally, most of the evidence submitted by groups and individuals was critical of the White Paper Constitution for India. While modification is to be expected, friends of India hope that they will not seriously impair the amount of independence already promised.

In spite of Stanley Baldwin's defeat of the die-hard Conservatives in the matter of Indian reform, there has been real uneasiness in India lest the lack of unity among Indians should result in loss of the potential constitutional gains. The Congress party, at a conference held at Poona in mid-July, requested the advice of members of other parties, with the result that the majority favored the ending of mass civil disobedience as a preliminary to release of the political prisoners and conversations with the government. For unexplained reasons Gandhi reasserted dictatorship of the party to secure a resolution that mass disobedience should end on Aug. 1 only if he and the Viceroy reached "an honorable agreement." Then Gandhi, although he knew that the Viceroy would not treat with him while civil disobedience was in force, asked Lord Willingdon for an interview which was refused.

Gandhi's next step was perplexing. He said that Mr. Aney, acting president of the Congress party, would immediately announce suspension of mass civil disobedience in favor of Gandhi's new mission of symbolical, individual civil disobedience. Mr. Aney took no such action. Gandhi thereupon closed his school and prepared to set out on a sort of pilgrimage with a few followers to perform individual acts of disobedience. He was rearrested on Aug 1. Meanwhile, the Congress party was puzzled and divided, and it was reported that a new party would emerge to unite all groups that are anxious to reap the fullest advantage of the approaching constitutional reforms.

State Aid to French Industry

By GILBERT CHINARD
Professor of French and Comparative Literature, Johns Hopkins University

THE last fortnight of the French Parliamentary session, which ended on July 8, was crowded with important legislation. During the vital but prolonged struggle over the 1933 budget, which was not adopted until June 1, the consideration of other urgent matters had to be postponed, and the accumulation became so great that Premier Daladier felt obliged to urge upon both chambers the necessity for all possible dispatch in catching up before the recess. At the same time he expressed his intention to reassemble Parliament early in October to consider the budget for 1934 in the hope that it might be adopted before the end of this year. Among the important laws passed before the recess were measures for the protection of the French wheat and wine markets, the reorganization of the French Line, a limited supervision of the railways and many others of less importance. The government's intention to ask for full powers to deal with the tariff during the Summer recess was abandoned at the last minute and did not come up for discussion.

One of the most important of the new laws affects the wheat market and was passed by the Chamber of Deputies on June 24 by a vote of 405 to 170 and approved by the Senate without serious modification on June 28. It provided that for the year beginning on July 15, 1933, the price of wheat should be fixed by law at 115 francs per quintal (220 pounds) and be increased by 1½ francs at the beginning of each month. This arbitrary figure was in no case to include transportation. It forbade any purchaser to pay less than the minimum price, and permitted the abrogation of any contract made before Oct. 15 on the demand of any of the parties to the contract. At the beginning of the Winter and in the Spring wheat growers will be required to declare the acreage they have sown in wheat and any stock over ten quintals they may own. The importation of wheat was suspended by the law for a period of two months. In each department the Prefect was authorized to fix the price of flour and bread. At the same time the government was authorized to borrow 400,000,000 francs to put the law into effect. Though the plan did not meet with any serious opposition in either the Chamber or the Senate, the press was far less favorable and called attention to the unsatisfactory results of similar measures in America. Critics have also contended that the farmers will find various ways to evade the law and that in case of a surplus the government may be forced to buy and store considerable stocks of grain.

The regulation of the wine market proved much more difficult and no really satisfactory solution was reached. The main difficulties centred around the question of the Algerian wines. It was by no means a new problem. For the last twenty years the wine makers of Southern France have agitated to restrict the importa-

tion of wines from Algeria. Their contention is that while the Algerian departments are theoretically an integral part of France, they are really independent, and that as the Algerian wine makers are not subject to the same legislation in matters of labor as the French growers, they should not be allowed a free market in France. The domestic French wine interests received support from the growers of Spring produce, who also suffer from Algerian competition. The question of principle thus raised occupied most of the debate; it was no less than the question of the status of Algeria. The government maintained that any restriction or special duty placed on Algerian products would be in fact equivalent to an internal customs. In the end nothing was done beyond repatching the law already in existence, although it has proved unsatisfactory in the past. By its extension a limit was set on new plantations for the next five years and a minimum alcoholic strength for wines to be placed on the French market was established. The Socialist group in the Chamber proposed the establishment of a governmental "office" to supervise the wine market, with the proviso that the Algerian industry should accept the same labor legislation that applies in France. This was opposed both by the special committee and the government and was defeated by 409 votes to 167.

Toward the end of the session a plan for the reorganization of the French railroads was presented by M. Paganon, Minister for Public Works. The main features of this bill were the merging of the Orléans and Midi railroads; the re-employment of railroad employes dismissed in 1920 following labor troubles—an obvious concession to the Socialists; and finally, the abandonment by the government of part of the tax recently included in the price of railroad tickets. This tax was lowered from 32 to 12 per cent, but the price of tickets to the public remains the same as before. M. Paganon insisted, however, on the retention of the "common fund," in which the different companies are supposed to pool their profits for distribution among the roads that show a deficit. Opponents of the "common fund" arrangement charge that the prosperous roads have made every effort to avoid showing considerable profits, while weak lines have made little effort to develop their traffic. At present the "common fund" shows a deficit which, according to William Bertrand, reporter on the bill, reached 4,000,000,000 francs in 1932. The government's bill, as finally adopted by Parliament, also gives the government the right to be represented by two members on the board of directors of each railroad, provides for a special commission to supervise the purchase of railway equipment and contemplates the adoption of automotive cars on non-paying lines and even the substitution of a special service by automobiles and buses in such cases.

The reorganization of the French Line (Compagnie Générale Transatlantique) has been under discussion for some time and the Socialists have demanded that the government take over the line. This the government was not willing to do, but on July 7 it secured the adoption of a bill increasing government supervision and providing that after the French Line has made certain economies the government will guarantee a loan of 150,000,000 francs and will advance a yearly subvention of the same amount. The measure was adopted by 280 votes to 11 in the Chamber and by a show of hands in the Senate.

On June 29 the Senate approved a

law already accepted by the Chamber suspending until July 1, 1934, the operation of the law of April 1, 1926, by which pre-war rents were to be raised a certain amount each year. The increase specified for this year was 15 per cent. The measure was advocated as a relief to the unemployed, though it was not limited to them; the law does not apply, however, to commercial rents.

Another measure considered to be a bid for Socialist support was an amnesty law affecting infractions of certain laws and regulations committed before Jan. 1, 1933. The bill had been put forward originally by the Herriot Ministry and was extended by the Chamber so as to become almost a general amnesty. It was limited by the Senate, however, to convictions for political crimes, but the Minister of Justice was given considerable discretion in applying it in other cases.

On June 29 M. Daladier gave an official explanation of recent incidents in Morocco which had been represented as a serious revolt. He admitted that an expedition sent against the rebels of Djebel Sako had met with a serious reverse in which 79 men, mostly officers and non-commissioned officers, had been killed and 107 wounded, but he declared that the disaster and the magnitude of the uprising had been exaggerated. M. Daladier went on to reaffirm the government's resolution to maintain a peaceful policy in Morocco while recognizing the necessity of providing adequate protection to peaceful tribes against raiders. The government's statement was approved without discussion.

After the adjournment of the Parliament on July 8, the political stage was taken by the general meeting of the Socialist party which was held in Paris on July 14-18. The main question discussed was the attitude shown by a number of Socialist Deputies and Senators in supporting the government, particularly by voting for the budget. The left wing of the party contended that in doing so they had clearly violated the instructions given them at the Avignon meeting in May. The problem before the meeting was to take some action against the rebels without creating a schism in the party. M. Marquet, a Deputy from Bordeaux, greatly disturbed the meeting and particularly Léon Blum when he declared that the time had come for the party to repudiate the doctrines of internationalism, to become an integral part of the nation and frankly to participate in the government of the country either by associating with other parties or by itself taking the lead. This was considered as an effort to organize a National Socialist party and as expressing dangerous Fascist tendencies.

It was finally decided to reprimand those members of Parliament who had voted for the budget, but without excluding them from the party. The resolution added, however, that in case they should again neglect their instructions, the General Council of the party would assemble at once to take such measures against them as might be deemed necessary. Léon Blum was reappointed chief editor of *Le Populaire,* the official paper of the party. It was considered that the action of the delegates placed M. Blum in an embarrassing situation since he would either have to cooperate with the government or oppose it. For the moment, however, the Socialist leader declared that the policy of the group would be determined by the attitude of the government at Geneva on the question of disarmament and by the nature of the government's bill

for financial re-establishment. This much-discussed scheme remains mysterious. M. Daladier refuses to give precise information about it, asserting that he will not divulge the government's plan until Parliament reconvenes.

In fact, the only firm position taken by the Cabinet is the determination to maintain the gold standard at all costs. The stand taken at London by the French delegates has done much to strengthen the prestige of the Cabinet. The press is unanimous in pointing out that France knows only too well the dangers of inflation and has paid too dearly for the stabilization of the franc to embark again on a policy of inflation. Finance Minister Lamoureux, while maintaining that the franc is in no danger, does not hide the fact that heroic measures will have to be taken to balance the budget, and that the hardest part of that task remains to be faced. Tax returns for the first five months of the year were 627,000,000 francs below the budgetary estimates; for May, however, the returns showed an increase of 189,537,000 francs over the same period last year.

Unemployment figures are decidedly more encouraging than last month. The peak of unemployment was reached in March with 331,816; on July 1 the number had decreased to 252,275, a figure much smaller than that of the same date in 1932. The same improvement appears in the number of the partly employed, which was only 37 per cent as against 50 per cent last March in the plants regularly inspected by the Ministry of Labor.

The external situation has also improved. A conference between M. Daladier and Chancellor Hitler has been reported several times and has never been positively denied. Nothing has been decided yet about arranging an interview between the French Premier and Mussolini, but there is an undeniable rapprochement between France and Italy and congratulations worded in the most cordial manner were sent by the Duce to Premier Daladier on the occasion of the signature of the Four-Power Pact.

THE BELGIAN BUDGET

The Belgian Parliament convened again on July 18 after a recess begun in May after voting special powers to the Cabinet. The main object of the session was to vote new credits to the government and to discuss the new budget. Considerable opposition to recent decrees of the Cabinet was expected and a petition signed by 1,426,000 members of the Labor party was presented by Deputy Vandervelde to the President of the Chamber as a protest against the Cabinet's policy. The position of the Cabinet is clearly stronger, however, than it was a few weeks ago and opposition has lessened on the part of the Liberal left and the Catholic right. In order to obtain this support the government had to modify several of the decrees it had already promulgated, particularly those dealing with the dole, pensions and the salaries of women employes. In spite of these measures M. de Broqueville maintains that the budget's equilibrium has been preserved and that unless the economic situation becomes worse there is real hope of consolidating the results already obtained. Assured of a Parliamentary majority the Cabinet expects a vote of confidence, and all projects to form another Cabinet with the possible aid of the Socialists have been abandoned.

Is the Nazi Revolution Ended?

By Sidney B. Fay
Professor of History, Harvard University and Radcliffe College

Is Germany's National Socialist revolution completed? So far as political parties go, apparently, Yes. It was completed early in July by the "voluntary" dissolution of the Roman Catholic Centre party (and its South German affiliate, the Bavarian People's party), the one great political party which had held out longest against "coordination" with the Nazis. But even its position had become very precarious, as indicated in the August number of Current History (p. 613). Political Catholicism, which once forced defeat upon Bismarck in the *Kulturkampf* and which for three quarters of a century has played a powerful parliamentary rôle, was compelled to bend before the "Totalitarian State." Former Centrists were invited to join the Nazis as "guest members."

Dr. Bruening, the Centrist leader, was reported to have refused to join the Nazis and to have insisted on his right to keep his Reichstag seat. With this exception, it was apparently agreed that those deputies of the dissolved parties who met with Nazi approval should keep their Reichstag seats. Those not acceptable were to be replaced by members of the same parties who accept the invitation to affiliate with the Nazis. With the Reichstag set harmlessly aside, and with the clear Nazi majority in it whenever it may meet, this question of Catholic representation has relatively little importance.

The relations between German Catholics and the Nazi State are henceforth to be governed by the Concordat which was signed at Rome on July 20 by Vice Chancellor von Papen and Cardinal Pacelli, the Papal Secretary of State. It follows somewhat the lines of former concordats of the Vatican with Prussia, Bavaria and Baden. In purely ecclesiastical matters the Catholics retain their freedom in the matter of organization, contact with Rome, schools and various other strictly religious activities; but they are to take no part as an organized body in politics in opposition to the Nazi State. In announcing the Concordat von Papen declared: "The political ideas now dominant in Italy and Germany would have the Church and State, like all vital forces, work together. It was therefore natural that, once the National Socialist Revolution was victorious in Germany, an unprejudiced and sincere understanding with the churches should be attempted forthwith. The Concordat with the Vatican may be regarded as a model for regulating the relations between the Reich and the Protestant churches, inasmuch as the clear delimitation in the Concordat of the respective spheres of influence of the State and the church must naturally also apply to the evangelical denominations in the Reich."

The dissolution of the Nationalist party, which took place a few days before that of the Centrists, was accompanied by the withdrawal of its leader, Dr. Hugenberg, from the Nationalist-Nazi Coalition Cabinet. This

led to several changes in the Cabinet, which were announced on June 29. Richard Darré, radical Nazi farm leader and Hugenberg's chief opponent in agrarian questions, succeeded him as Minister of Agriculture. Dr. Kurt Schmitt, widely recognized as an insurance expert and as a man without pronounced political affiliations, became Minister of Economics. And Gottfried Feder, one of the Nazis' leading economic prophets, was named Under Secretary of the Ministry. Feder was the author of the twenty-five-point party program with which the National Socialist party began to make a bid for power a decade ago. In 1924 he became a member of the Reichstag, and since 1927 he has been the official spokesman of the Nazi party on all economic matters, though at present he is doubtless held somewhat in check by the influence of the more conservative Dr. Schacht, president of the Reichsbank. Feder's most insistent demand in earlier days was for "the breaking of the interest slavery"—that is, the abolition of interest on capital.

Richard Darré had espoused the interests of the small peasants, demanding the division of the big landed estates into small peasant homesteads, whereas Hugenberg had stood for the big estates. Hugenberg compromised in his agrarian debt relief program on an interest rate which yielded the creditors 5½ per cent, of which the government paid 1 per cent, whereas Darré had demanded a flat 2 per cent rate on all agrarian mortgages. Darré's principal accomplishment was the creation of the National Socialist Peasant Front, which finally brought the larger part of the agrarian population into the Nazi ranks. In April he was elected leader of the German peasant corporative group or "estate." He has issued various publications on racial questions and agriculture, among which are *The Peasantry as the Living Spring of the Nordic Race* and *A New Aristocracy, but of the Blood and Soil.*

Is the Nazi revolution ended as regards the German Protestants? Again apparently, Yes. In the conflict between Dr. Ludwig Mueller's Nazi German Christians and the evangelical followers of Dr. von Bodelschwingh, Herr Jaeger had been appointed as commissioner for the Protestant churches in Prussia and was proceeding to the dismissal of non-Nazi pastors and officials. This drew from President von Hindenburg a letter of sympathy for the evangelicals, expressing hope that peace should be restored within the church. As a result Herr Jaeger was dismissed, ousted church officials were restored and an agreement was reached for drawing up a new church constitution and the holding of church elections on July 23.

The new constitution is to the German Protestants what the Concordat just concluded is to the German Catholics. It provides for an elected Reich Bishop, who will be a Lutheran, because the Lutherans form the largest of the Protestant denominations. He will be assisted by a "spiritual ministry," or cabinet, composed of three representatives, one for each of the three chief Protestant groups. Each of these representatives is to have jurisdiction for his own denomination on matters affecting articles of faith. The Nazi demand that the Reich Bishop be appointed from above by the Chancellor and that he appoint all officials under him was rejected, it being specified that the National Synod should choose the Bishop.

It is intended that the new church shall be neither a State church nor

a Reich church, but an independent and self-governing, although "coordinated," body; it is not to be confined to the borders of the Reich, but, as the *Kreuzzeitung* puts it, is to be "the Evangelical Church of the German Nation, which will maintain close connections with German Protestants in the entire world. The German Evangelical Churches of Transylvania, Yugoslavia, Bohemia and the Baltic Provinces and the lands across the sea will be able to conclude working agreements with this real German Evangelical Church without their governments being able to accuse them of maintaining relations with a foreign State." A Reich Bishop would thus become a sort of pope of all the German Protestants everywhere, but a pope who would be under the control of Chancellor Hitler in case the church elections should place Nazis in control of the organization. This development is in line with Hitler's claim to be the protector of Germans everywhere. The Protestants of Danzig promptly reorganized their church for coordination with the new German Evangelical Church, but the League of Nations Governing Commission in the Saar declared it inapplicable there, because the people of the Saar must be religiously and politically free until 1935, when a plebiscite is to determine whether the Saar Basin will be attached to France or Germany.

The church elections of July 23 were preceded by somewhat the same kind of Nazi pressure, though milder, as preceded the Reichstag elections on March 5. The *Taegliche Rundschau,* the chief defender of Dr. von Bodelschwingh's group, was suppressed for three months. His Evangelical Christians were forbidden a few days before the election to use this designation and had to take the cumbersome name, "Gospel and the Church—the Church Must Remain Free." They were not allowed freely to state their case in the newspapers, whereas the Nazi ticket of German Christians was given every advantage. In a great many districts the Nazi steamroller forced the adoption of a joint ticket in which Nazi candidates had 70 or 80 per cent of the places, and in which consequently there was really no point in holding an election at all and in which in fact there was no voting. On the eve of the election Hitler himself made an appeal to the voters to support the Nazi ticket: "In the interest of Germany's renascence, which I regard as indissolubly bound up with the National Socialist movement, I naturally desire that the church elections shall result in support of our new national policy, that within the churches those forces shall gain a hearing that are ready to stake themselves for the nation's freedom."

The result of the election of July 23 was therefore a foregone conclusion. The Nazi German Christians elected about three-quarters of the delegates to the National Synod. They will therefore control the new church and will presumably elect their leader, Dr. Ludwig Mueller, as Reich Bishop.

Is the Nazi revolution ended as far as the Jews are concerned? Apparently, No. Hopes of those who thought that the Nazi anti-Semitic campaign would be moderated, once the National Socialists were secure in political power, seem doomed by the increasing restrictions against Jews and by arrests of Jews by members, perhaps unauthorized, of the Nazi party. It was announced on June 27 that Jews would be excluded from the "German Labor Front," which has been organized into a corporative structure to include all the wage-

earners in factories, offices and stores. Jewish wage-earners will probably be gathered together in a sub-group in an all-Jewish occupational corporation, which, however, will have little or no political or economic power to resist any measures which the ruling party or employers see fit to impose. Jewish physicians are no longer to be allowed to examine people for the sick and insurance funds, public or private. Dr. Goebbels announced on June 30 a new law declaring Jews excluded from any part in the production of German films. Two days later a law barred non-Aryans from holding any kind of office in the Reich, the States, municipalities or municipal associations. Two of Germany's best known museum directors and art historians, Dr. Max Friedlander of the Emperor Frederick Museum and Dr. Ludwig Justi of the National Gallery, were dismissed by Dr. Bernhard Rust, Prussian Commissioner of Education. Eighty Jewish physicians on July 8 were sent to a concentration camp following a raid on "the consulting office of Jewish doctors." Next day Herr Zander, chairman of the new Greater Germany Chess Association, announced that none but Aryans and ardent Nazis would be allowed to join the new chess association which takes the place of the former German Chess League, which was dissolved.

Press dispatches of July 20 reported that between 200 and 300 Jewish merchants of Nuremberg had been arrested and marched brutally through the streets to barracks, where they were confined. Speaking at Nordeney, one of Germany's most popular North Sea Summer resorts on July 29, Dr. Bernhard Rust declared: "I must demand that Nordeney make its choice between Judaism and the banner of Adolf Hitler. Shall Jews dominate Nordeney, or shall Germans once more get to feel at home on this most beautiful of the North Sea islands?" Thereupon the residents of Nordeney passed a resolution expressing solidarity with the speaker and setting forth that Jewish visitors would not be welcome thereafter.

By a curious irony the German Society for Combating Anti-Semitism, after languishing forty-two years, voted on July 15 to disband. Its charter provided for disbandment when anti-Semitism should cease to be a political menace. Recognizing the futility of carrying on its battle under present conditions, it decided to quit.

The movement of sympathy and pressure from abroad on behalf of the German Jews has continued. By the end of July $1,000,000, half the amount aimed at, had been pledged in the campaign of the American Jewish Joint Distribution for the relief of German Jews; two-fifths of it was raised in New York City. Fritz Kreisler continued to refuse to appear for recitals in Germany "until it is established beyond peradventure of doubt that all my colleagues in the musical world, irrespective of nationality, race or creed, are not only tolerated but actually welcomed." In England 20,000 Jews from the East End of London marched to Hyde Park in a parade of protest against the treatment of their brethren in Germany. They carried banners urging a boycott of German-made goods. The Board of Jewish deputies, however, representing 300,000 Jews in Great Britain, voted three days later, on July 23, by 110 to 27, not to proclaim an official boycott of German goods and services at present, though encouraging unofficial boycotting of Nazi Germany. In the House of Commons a number of speakers castigated Nazi anti-Semitism, and a bill was introduced to facilitate Professor

Einstein's becoming a British citizen, while the distinguished scientist listened with interest in the gallery. The National Joint Council of the labor movement, representing the Trades Union Congress, the Labor party and the Parliamentary Labor party, issued a manifesto on July 19 demanding a boycott to bring home to the German Government "the human protest against their betrayal and denial of the principles of civilized behavior."

Representatives of the Jews of some thirty-five nations met at Amsterdam on July 20 and formed a permanent organization to be called the World Jewish Economic Federation. Samuel Untermyer of New York was elected president. It passed resolutions that the League of Nations be petitioned to appoint and send into Germany a commission to report on the persecution of Jews; that proceedings be instituted before the League to enforce the labor provisions of the Versailles Treaty, flagrantly violated by the expulsion of Jews from German labor unions; that efforts be made through the League to secure Nansen passports for Jews to leave Germany, and that the League put into operation the relief clauses of the Versailles Treaty in favor of German Jews still held in Germany, as well as those who have taken flight and are being supported at the expense of neighboring countries. It is estimated that between 40,000 and 60,000 have fled from Germany.

Hitler's own view is that the Nazi revolution is ended and that there is to be no second revolution of undisciplined and extreme fanatics within his own party. In a three-hour speech at Bad Reichenhall on July 1 he told his lieutenants: "The concrete aim of our revolution is this: Order within as the first condition for the development of power toward the outside. I will crush brutally and ruthlessly every attempt made by reactionary or other circles to overthrow the present order. I will turn equally ruthlessly against the so-called second revolution because that can have only chaotic consequences." In other speeches and orders during the following ten days he indicated that Nazi interference with business must cease. He denounced the petty espionage of Nazi cells in factories and business houses, such as threw the Mosse printing establishment into bankruptcy: "I cannot bring myself to believe that this despicable practice is always dictated by the desire to bring guilty persons before the bar of justice. Too often selfishness and petty personal spite are the motives." No doubt he was correct in this view.

Accordingly, recognizing that Germany's crying need is now economic reconstruction, he ordered that Nazi commissars be withdrawn from interference with business. Apparently the movement for forming the "Corporative State" has been temporarily shelved. "We must not depose a business man," the Chancellor declared, "if he is efficient, just because he is not yet a National Socialist, especially if the National Socialist to be put in his place knows nothing about business. Ability alone must decide in business." In accordance with this view Dr. Hans Kerrl, Prussian Minister of Justice, issued an order that persons who act contrary to government decrees and interfere with business will be severely dealt with before special courts that may impose high fines, long prison sentences, the confiscation of possessions and even the death penalty. Whoever usurps police authority and makes arrests will be held for kidnapping, and whoever

without proper authority makes himself a commissar and tries to deprive business directors of their freedom will be guilty of usurpation of office. The offenses will be regarded as all the more serious if committed in a Nazi uniform. These measures of relief for business were much needed, and were no doubt issued with sincere intent, but they may foreshadow a rift between the more radical and conservative elements within the Nazi party.

There is still fear, or there is alleged to be fear, among the Nazis of danger from communism. Consequently a nation-wide search, probably unique for its vast extent, was carried out on July 25. Promptly at noon every person found in a railroad train or in an automobile anywhere in Germany was subjected to search both of person and belongings. It was carried out by the entire police force, by auxiliary police and by a large part of the Nazi storm troops. The results seem to have been somewhat disappointing, but at any rate it gave a striking demonstration of the speed and efficiency with which the Nazis can mobilize the police for any specific purpose. Four days later raids upon suspected Communists in Berlin and other cities netted the arrest of about 250 persons. Since the Communists have been suppressed as a party they are suspected of trying to filter into the Nazi military and other organizations to carry on propaganda and subversive activities. It is estimated that about 35,000 persons are now being detained in German concentration camps.

A newspaper article fiercely attacking the Hitler régime, issued from Carlsbad on June 27 by Philip Scheidemann, first German Chancellor and one of the most prominent former Social Democratic leaders, caused the Nazi press to pour out the vials of its wrath against this German in exile and against all Germans abroad who attacked the present government. The Hitler Cabinet retaliated against Scheidemann by announcing the arrest of five of his relatives still in Germany. It also issued a decree on July 14 providing for the confiscation of all property of individuals or organizations adjudged hostile to the State, and the seizure of property and withdrawal of citizenship of all critics of the Nazi régime living abroad who refuse to return to Germany.

GERMAN ECONOMIC CONDITIONS

The German census just concluded places the population of the Reich at 65,300,000, which does not include 830,000 inhabitants in the Saar territory. This total is 1,700,000 less than Germany's pre-war population, but is an increase of 2,700,000 since 1925. Males number 31,700,000, and females 33,600,000.

In the budget estimates for the Reich for 1933-34 income and expenditures were balanced at 5,900,000,000 marks. This looks like a very economical showing as compared with last year's estimated expenditures of 8,200,000,000 marks, and its actual expenditures of 7,900,000,000 marks and its deficit of 600,000,000. But the reduction is largely due to putting the budget on a "net basis" by excluding from the budget estimates the slice of the Reich taxes which is handed over to the States and municipalities (about 1,600,000,000 marks). Also the amount set aside for debt reduction was reduced from 420,000,000 to 100,000,000 marks.

By rigid control over foreign exchange and by his partial moratorium on foreign debt payments Dr. Schacht built up the gold holdings of the

Reichsbank from 188,700,000 marks on June 30 (the lowest point for the year) to 228,300,000 on July 25. This is equivalent to an increase from 7.1 to 9.6 per cent in the ratio of the bank's gold and exchange reserve to outstanding banknote circulation.

Figures for domestic industrial production and business for June and July show a considerable increase (possibly about 10 per cent) as compared both with the early months of 1933 and with the corresponding months of 1932. This may be partly explained by seasonal pick-up, by some increase in the price level and by some lessening of the general world depression. German unemployment was reduced from more than 6,000,000 in January to 4,829,000 in mid-July.

Figures for exports and imports are less cheerful. Exports dropped from 421,800,000 marks in May to 384,500,000 in June, a decrease of 8.8 per cent. Imports increased from 333,200,000 to 355,800,000, an increase of 7 per cent. This means that the surplus of exports over imports (which is the measure of Germany's ability to pay her foreign obligations) slumped from 88,600,000 marks in May to 28,800,000 in June, a drop of 68 per cent. The surplus of exports over imports for the first six months of the year declined from 602,000,000 marks in 1932 to 291,000,000 marks in 1933, or more than 51 per cent. The biggest drop in exports was in finished goods and was due in part to the depreciation of currencies, tariff walls, rival exchange restrictions and boycott measures in retaliation for German anti-Semitism. Comparing the first six months of this and of last year, exports decreased 20 per cent in value and 12 per cent in quantity, while imports increased 13 per cent in value but remained stationary in quantity.

AUSTRIA AND THE NAZIS

In the conflict between Chancellor Dollfuss and the Nazis for the control of Austria, National Socialists in Germany have continued an aggressive campaign. Radio broadcasts from Munich have led to protests from Vienna. More serious are the several occasions on which German Nazi airplanes have flown over the Austrian frontier and dropped incendiary leaflets encouraging Austrians to revolt against the Dollfuss government. Yet when airplanes were alleged to have flown over Berlin and to have dropped leaflets (which were never published and which French newspapers allege to have been a Nazi invention and excuse for demanding military airplanes forbidden by the Versailles Treaty) there was a great outcry from Dr. Goebbels's press, and Captain Goering is said to have tried to buy some military airplanes in England.

The Passion Play Theatre in the Austrian village of Erl, near Kufstein, a short distance from the Bavarian frontier, was destroyed by fire on July 18. It was suspected that this was caused by Nazi incendiaries, as a huge swastika and the word "revenge" were found painted on the foundations.

Baron Werner von Alvensleben, a German Nazi of distinguished family, was arrested in Austria, carrying a false passport which had been supplied to him in Munich. He confessed to taking part in the murder of an Austrian official and of planning to make an attempt on the life of Major Emil Fey, Austrian Minister of Police. But the Dollfuss government preserved its sangfroid and contented itself with making protests to Berlin and excluding from the Vienna Diet the fifteen Austrian Nazi members led by Dr. Frauenfeld, Hitler's lieutenant for Austria.

Unrest in the New Spain

By WILLIAM E. LINGELBACH
Professor of European History, University of Pennsylvania

SPAIN'S Constituent Cortes on July 14 completed its second year of hard and almost continuous work. It has drafted and promulgated the Constitution and enacted complementary legislation vital to its functioning as the charter of a Socialist republic; secured the passage and adoption of the Catalan Statute; inaugurated extensive agrarian reforms and forced the separation of Church and State. At the same time, the Cortes has maintained law and order in a country torn by factional, class and regional interests. Little wonder that it is growing weary, that much of the enthusiasm of two years ago has disappeared, and that the opposition appears to increase steadily in strength and violence. Apart from the opposition of the church and the landowners, there is the dissatisfaction of the Left with the Defense of the Republic Act, which virtually gives the Ministry dictatorial powers, and there is wide disapproval of the amendment to the act creating the Court of Constitutional Guarantees which forbids the court to pass upon the constitutionality of measures enacted by the Cortes before the court was created.

According to Premier Azaña, the nation is still behind the government and its policies. The forces of reaction and anarchy are weakening, he told the Cortes in connection with a report of the arrest, on July 25, of over 500 persons representing a conspiracy of the Right and Left groups in a combined effort to destroy the Republic. The movement was well financed, he said, and "had wide ramifications throughout Spain." "With the frustration of this plot," he declared, "we believe we have lifted the cloud which has hung over Spain for several weeks and definitely averted the storm."

Signs that the government is still far from having dissipated all the storm clouds, however, appear in the sporadic encounters between Socialists and Royalists, attacks upon the churches, the continuance of Anarchist and Syndicalist raids and bombing outrages (150 in six months), the feud between the Catalan landowners and the peasant renters and the increasing vigilance against foreign Communists following the deportation from Barcelona of 108 foreign Reds. Equally disconcerting must be the defection of the powerful daily newspaper, *El Sol,* with its evening edition, *La Voz,* and another Left Republican journal, *Luz.* Ever since the establishment of the Republic, *El Sol* has been in close touch with the government, a sort of semi-official journal. It proclaimed its change of front in a statement that the policies of the Azaña Ministry were out of accord with the wishes of the nation, that too close contact with officialdom was harmful and that Spain again stood in need of an independent press. In the meantime, the Catholic press is becoming much more active. *El Debate,* according to Associated Press reports, has recently purchased four of the largest type of American print-

ing presses in preparation for a wider endeavor to awaken Catholic opinion which the new primate, Mgr. Goma, regards as of the greatest importance.

In the meantime, the trial of the leaders arrested in the abortive revolt in Madrid and Seville on Aug. 10, 1932, has been resumed. Fifty-two officers in resplendent uniforms were arraigned before the court, accused of rebellion. During the early days of the trial they assumed so haughty an attitude that it almost seemed at times as if the court itself were on trial; frequently the audience applauded the claim that the revolt was entirely by gentlemen who should be accorded special treatment. The revolt in Seville, according to General Sanjurjo, who assumed the entire blame, was essentially Republican and directed against the Azaña Government only, while the movement in Madrid, on the other hand, was Monarchical.

Mgr. Goma, who was on July 7 publicly installed as Archbishop of Toledo and Primate of Spain, assumed his duties with a heavy heart, conscious of the devastating attacks upon the Spanish Church in the last two years and of the necessity of reorganization and reconstruction. In his first pastoral letter he protested against the separation of Church and State, but urged respect for the authorities in order to guarantee the social order. Political opposition is to be exercised through the Acción Católica to which is entrusted the cause of the church in its relation to politics. Plans for church schools are being made since the law permits members of the orders to teach provided they do not do so as representatives of the orders or wear clerical garb. In the meantime, the government, pushing ahead vigorously with its program for secular education, adopted by an unusually large majority a bill authorizing the expenditure of 29,000,000 pesetas [at par the peseta is worth 19.295 cents] to put the new education law into effect on Oct. 1.

Land legislation is again lagging, but in connection with the assumption of office by the Director of General Agrarian Reform, the Minister of Agriculture announced that unless the Cortes passed the two subsidiary laws necessary by the end of the year, he would proceed to carry out the reforms by Ministerial decree.

A gigantic project for the electrification of the railroads in and around Barcelona at a cost of 142,000,000 pesetas during the next decade has been announced. Two Spanish trunk lines, one from Madrid and the other from the north coast, are to be consolidated in a single system with the railroads and street railways of the city and suburbs. It will include two underground roads, the construction across the entire city of a three-track tube and the building of what is claimed will be the largest underground station in the world.

Considerable anxiety has been aroused among American automobile manufacturers, who have hitherto supplied about 80 per cent of the machines for the Spanish market, by the special preference given to French machines by the new tariff regulations. In return for the relaxation of certain quota restrictions on Spanish goods entering France, French champagne and automobiles have been granted exceptional tariff rates. The agreement is an addition to the existing commercial treaty. The lifting of the trade restrictions between Spain and the Argentine was hailed as another sign of the rapprochement of Spain with the republics of Spanish America. Special trade, as well as political advantages, are expected

from the recognition by Spain of the Soviet Union. The decision for recognition was reached without opposition on July 27 at a meeting of the Cabinet at which President Zamora presided. On the following day Foreign Minister Fernando de los Rios sent the formal note to Moscow.

During the month the unfortunate arrest and imprisonment of five Americans as a result of a difference with the Civil Guard after an evening at the Palma Hotel in Majorca threatened to cause diplomatic difficulties between Spain and the United States. According to reports, the group was reprimanded by a Civil Guard for being too noisy. In the altercation that ensued the guard's face was slightly cut. All five were charged with attacking the Civil Guard, an offense covered by military law which might carry a prison sentence of from five to ten years. The incident itself was trivial enough, and Ambassador Bowers was correct in his claim that the prisoners should be released on the basis of "common justice," regardless of the technicalities of the Spanish law applicable to the case. Unfortunately, however, the situation was complicated by the government's fear of offending the Civil Guard, upon whose support it has been resting so heavily in all recent crises. Without the guard the government can hardly expect to maintain itself against its many enemies. On July 20 the prisoners were released on bail, and presumably the incident was to be settled amicably.

CHANGES IN THE ITALIAN FASCIST PARTY

During the month a general tightening of discipline was apparent within the ranks of the Italian Fascist party. According to instructions sent out to the provincial and regional leaders by Achille Starace, secretary general of the party, the Fascist insignia is to be worn by all. Simplicity and utility in dress, even to the exclusion of silk hats by high officials, is ordered. All ostentation is to be avoided. Fascist officials are to keep away from de luxe restaurants and theatres. They are to penetrate into the humbler quarters of the cities and make sympathetic contacts with the masses, going either on foot or preferably on motorcycles. The motorcycle suggestion is a phase of the Duce's plan to build up a vast mobile army and to develop a nation of centaurs on motorcycles. To stimulate the movement, all taxation on the machines has been abolished. Along with the orders for a more rigorous discipline within the party there was issued on July 23 an order that after Aug. 1 enrolment in the party from without would cease. Thereafter, only those coming up through the youth organizations can gain admittance. The total party membership at present is estimated at about 2,500,000.

In working out the syndicalist system, which Mussolini regards as the unique contribution of Italian fascism to the economic and political order of the twentieth century, a new body was established during the month, called the Corporation of Categories. Its duties are to relieve the Ministry of Corporations, presided over by the Duce, of some of its duties. It has been given extensive powers in the adjustment of wages and of disparities in certain occupations, in the regulation of conditions of apprenticeship and vocational training, and in coordinating welfare and labor exchange activities. It completes the Guild System and is a further move in the direction of government control and direction of industry.

Unemployment figures have shown

a decided improvement. According to official statistics, at the middle of July there were 884,000 unemployed, a reduction of 116,000 from the number in the corresponding weeks in June. Money was easy and the trade balance favorable, despite the continued falling off of both imports and exports. For the six months ending June 30, the former fell 816,000,000 lire below the figures of the first six months in 1932 while exports declined only 345,000,000 [at par the lira is worth 5.263 cents]. The falling off in imports is causing some anxiety in regard to the standard of living, while the considerable loss in exports is worrying industrialists who depend on export trade. The government is, of course, doing everything in its power to improve trade relations. During July it manifested an extraordinary interest in the extension of trade in the Balkan and Danube area. Late in the month the draft of a three-cornered commercial treaty between Italy, Austria and Hungary was worked out along the lines proposed by Mussolini in 1931, when the plan failed because of Austria's financial bankruptcy and the collapse of the Creditanstalt. As a regional agreement, it is in accord with recommendations from Geneva though it cuts deeply into French and German ambitions. In view of the Four-Power Pact, however, it is pretty clear that France is quite ready to purchase more friendly relations with Italy by yielding some of her claims in the region, if by so doing she can interpose an effective barrier to a Berlin-Vienna rapprochement.

Along with easy money during the first part of July there appeared a significant rise in the prices of securities, especially of government bonds. Italy adheres strongly to the gold standard and vigorously supported France and the gold bloc at the London Conference. The Italian press is a unit in declaring American inflation a mistake which is likely to interfere seriously with Italian export trade.

A merger of electrical power companies has been developed under the leadership of the Compagnia Generale Elettrica Adamello, one of the largest hydroelectric companies in North Italy. The plan involves increasing the shares of the company from 400,000,000 to 735,000,000 lire by splitting the present 250-lire par-value shares into two of 125 lire each, one common, the other preferred, taking over Elettrica Tridentina with its affiliates, the Idroelettrica Virze and Elettrica Monteneve Companies, operating in Lombardy and Venetia. It will also combine with Elettrica Interregionale Cisalpina, a large wholesale power distributing concern.

Quite eclipsing all other events of the month in the Italian press during July was the spectacular flight of General Balbo and his fleet of twenty-four planes from Rome to Chicago over a carefully plotted route of 6,020 miles by way of Holland, Ireland, Iceland, Labrador and New Brunswick. The return trip began from New York. Careful estimate showed that the time in the air from Rome to Chicago was forty-six and a half hours, which gave an average of 130 miles an hour, or very close to what the General and the engineers had planned.

The three branches of the Italian War Department—the land, water and air services—are to be consolidated under one head in order to bring about closer and more effective coordination. On July 20 Mussolini took over the Ministry of War himself, superseding General Pietro Gazzera, who held the office for the past five years.

Austro-Hungarian Cooperation

By FREDERIC A. OGG
Professor of Political Science, University of Wisconsin

POLITICAL interest in Central Europe has centred recently in the possibility of closer relations between Hungary and Austria as an element in a proposed plan for a new Central European accord. Reports have persisted that Premier Mussolini, having secured acceptance of his Four-Power Pact, envisages as his next move an additional pact on both economic and political lines, to be signed by Hungary, Austria, Czechoslovakia, Yugoslavia, Rumania and Italy, which would lay the foundation for cooperation, especially in economic matters, between Central Europe and Italy. That events are shaping in this direction seems to be confirmed by much heralded visits of Premier Goemboes of Hungary to Vienna on July 9 and to Rome on July 25. The fact that the Little Entente powers are understood to be interested in the plan is construed to mean that France, although not a party, has given her consent.

After his conferences with Chancellor Dollfuss at Vienna, Premier Goemboes told the press that practically all outstanding questions between Hungary and Austria had been settled; that the conferees were agreed that Hungary and Austria are "the cornerstones" of Danubian policy, without which no progress can be made; and that revision of the post-war treaties not only can be brought about by peaceful means, but is the price that must be paid for the economic rehabilitation of the Danubian area. From Rome, in turn, it was reported that Goemboes was enthusiastic over the results of his conversations with Mussolini, revealing "complete agreement concerning all immediate political and economic problems."

Speyer & Co. of New York announced on July 20 that the Hungarian Government had transferred funds necessary to supplement the reserve fund needed to pay the Aug. 1, 1933, coupons on the government's loan of 1924. It was indicated, however, that exchange difficulties will not permit payment in full of the Feb. 1 and Aug. 1, 1934, coupons.

PARLIAMENTARY REFORM IN CZECHOSLOVAKIA

Nowadays the world hears more about the shortcomings of parliamentary government than about the substantial reforms that are here and there being introduced. The Czechoslovak Parliament has recently been concerned with putting its house in order. Amendments to the standing orders of the body adopted in June at the instigation of the government bloc should go far toward expediting and otherwise improving legislative work. Certain of these amendments penalize members for non-attendance, provide for general debate on important government bills in advance of committee report, stiffen the rules relating to closure, and lay down a procedure by which, in case a Minister refuses or neglects to reply to a question within three months, the matter can, by petition of twenty-one

members, be placed on the order paper of a plenary session.

The representation of minority nationalities in the Czechoslovak civil service and experience with incidents in which members of such nationalities have been guilty of conduct detrimental to the interests of the State, if not definitely treasonable, have led Parliament to enact a comprehensive statute applying to all persons in the employ of the State or of local authorities, school teachers and university professors, ministers of religion, reserve officers and all persons in receipt of a pension or similar income out of public funds. If they indulge in activity directed against the sovereignty, independence or integrity of the republic, or incite others to such activity or conceal such activity on the part of others, they shall be liable to punishment, which may take the form of summary dismissal from their posts, loss of pension for themselves and their dependents, and in the case of the clergy suspension from the ministry and loss of emoluments.

POLAND AND DANZIG

A visit by Dr. Hermann Rauschning, newly elected Nazi President of the Senate of Danzig, to Warsaw during the first week of July afforded opportunity for fresh definition and discussion of the long list of issues outstanding between the Free City and Poland. From press reports of the conversations, these appear to be chiefly (1) the status of Polish nationals in Danzig; (2) the importation of German goods exclusively for the use of Danzig's inhabitants; (3) monetary cooperation, and (4) competition of the new port of Gdynia with Danzig. No effort was made to reach conclusions on any of these matters during the recent courtesy visit, but Dr. Rauschning expressed the hope of the body over which he presides that all can be settled without mediation by the League of Nations.

MACEDONIAN TERRORISM

Macedonian murders and abductions in 'Sofia, the Bulgarian capital, reached such proportions during May and June that hardly a day passed without some such episode; people no longer had a sense of security on the streets, in public buildings or even in their homes. Since the last national elections were won on the promise to suppress such occurrences and restore order throughout the country, the national government bloc was faced with a delicate situation. Resolving somewhat belatedly to act vigorously, it first procured from the Sobranye, on June 24, a drastic law providing the death penalty for political murders, being accessory to such or instigating crimes of the kind, and then declared a twenty-four-hour state of siege during which all people were required to remain in their homes, all business was suspended and all communications were cut off while every building in the city was searched by 7,000 soldiers and police for assassins and weapons. Even foreign press correspondents and members of the diplomatic corps were obliged to remain indoors. The result of the grand inquest was the round-up and arrest of about 1,200 persons, of whom 1,100 were members of Macedonian revolutionary factions and the remainder Communists. Large quantities of rifles, revolvers, bombs, hand grenades and ammunition were likewise confiscated.

Apprehension that what was really brewing was a nation-wide dictatorship proved, at least for the time being, groundless. Once the search was completed, normal conditions were resumed. Opinions differed, however,

as to the merits of the government's undertaking. Some sections of the press approved warmly; others pointed out that those arrested were uniformly persons of no importance and insinuated that the proceeding had been planned and executed, not with any determination to seize the real offenders, but only to make a show for the sake of pacifying public sentiment and impressing foreign opinion. It was charged, too, that the arrests were largely confined to members of the Protogerovist faction—the IMRO—with the consequence that Michajlov, the Al Capone of the rival Mihailovist faction, would henceforth be in a stronger position than before. The move was not particularly effectual, for as early as July 9 the government found itself under the necessity of virtually repeating the operation in the suburban district of Krasnkselo and also to some extent in the capital itself.

For the purpose of curbing the growth of an intellectual proletariat, the government has closed a number of secondary schools and raised the requirements for admission to those remaining. As a further means of checking the exodus from the villages to the cities, it has been decreed that, on the principle that the land must belong to those who cultivate it, landowners who do not make full use of their acreage must forfeit it in favor of landless peasants.

GREEK POLITICAL CONTEST

A Parliamentary by-election in the district of Saloniki on July 2 drew unusual attention in Greece because the contest was made a test of strength between the Tsaldaris Government and its implacable foe, ex-Premier Venizelos. Indeed, the latter was quoted as saying that he would leave the country permanently if the voting went against him. Contrary to the government's confident expectation, the opposition candidate, receiving 56 per cent of the votes, was successful. In official circles the defeat was attributed to Communist support of the Venizelists, but the explanation more probably lies in the indignation of the electorate over the recent attempted assassination of Venizelos—an episode which the ex-Premier capitalized to the utmost during the campaign. With a strong majority in Parliament, the Tsaldaris Ministry indicated that its program would in no way be affected by the Saloniki setback. Among the measures which are advocated are the division of the various refugee settlements in the neighborhood of Athens into separate demes and communities.

ALBANIAN NATIONALISM

Evidences of a rift between Albania and Italy continue to multiply, although whether they betoken anything more than a transitory wave of Albanian "nationalism" is not so clear. For years the country's ambitious program of modernization has been carried along chiefly with Italian money, Italian advice and guidance. Reaction against Italian influence first manifested itself openly several weeks ago in a decision of King Zog's government to close all private schools in the country, the great majority of which were run by Italians; as a result, hundreds of Italian teachers, most of them members of religious organizations, have returned to Italy. Simultaneously, Rome began pressing for payment of long overdue interest on a $10,000,000 loan dating from 1925, and eventually, nothing having been obtained, stopped instalments on a 1931 loan of similar proportions. In addition, General Pariani, Italian military adviser at Tirana, was recalled.

Finland Rejects Fascism

By SIDNEY HERTZBERG

THE most pronounced movement toward the Left since the establishment of the Finnish Republic constituted the people's answer to the flamboyant appeals to the extremists of the Right in the regular triennial election to the Diet on July 1 and 3. This unmistakable rejection of fascism caused intense chagrin to its supporters. So certain had they been of establishing themselves with the electorate, that their pre-election speculations had been confined to the possible range of their gains.

The German brand of fascism was represented for the first time in a national election by two groups, each with its own *Fuehrer*. Their combined vote was 3,893. The total cast throughout Finland was approximately 1,100,000. The Lapuan Black Shirts, under the name of National Patriots, united with the Conservative party. Together they polled 186,824 votes, against a straight Conservative vote of 203,958 in 1930. Their representation in the Diet likewise fell, from forty-two to thirty-two members. Only one of the numerous new Fascist groups, the "Crisis party," succeeded in entering the Diet. It polled 8,549 votes, entitling it to two seats.

The Social-Democrats gained twelve seats and will control seventy-eight of the 200 votes in the Diet. Their total popular vote rose from 385,820 in 1930 to 412,759. The Social-Democrats registered increases all over the country. Even in the province of Lapua, cradle and stronghold of Finnish fascism, their vote was reported to have risen in all nine electoral districts. The Social-Democrats undoubtedly received a great many Communist votes. Although the Communist party is outlawed, it put forward a "non-partisan" slate which drew some 2,000 supporters.

The only other gains were made by two small groups, both of which stand somewhat to the Left. The Progressive party added a single seat to the ten it has had since 1927 and increased its vote from 65,830 in 1930 to 82,476. While this group corresponds most closely to a centre party in Finland, it supports, more or less consistently, advanced social reforms. The Small Farmers party, which stands between the Agrarians and the Social-Democrats, added two seats to the one it obtained in 1930 and increased its vote from 20,883 to 36,817.

The Agrarian party lost seven of its sixty seats. Its popular vote fell from 308,280 to 249,086. The Swedish party retained its twenty-one seats but its vote declined from 122,589 to 115,385. The Social-Democrats, who carried on an intensive campaign among the Swedes, probably gained the difference. There are approximately 350,000 Swedish-speaking inhabitants of Finland. The Social-Democrats want to see this element vote along economic rather than national lines. There is no coherence of political opinion in the Swedish party, but the Conservatives are in the majority. In the last Diet, one of its members was listed as "Swedish Left."

The new Diet convenes on Sept. 1. If there is to be a Cabinet change, it

probably will not take place until the 1934 budget is brought in. The two outstanding immediate demands of the Social-Democrats will be adequate unemployment relief and the checking of the Lapuan and other anti-democratic movements.

Following the Bank of Finland's reduction of its minimum discount rate on June 2 by $\frac{1}{2}$ per cent to $5\frac{1}{2}$ per cent, the Interest Delegation, which fixes rates of interest for all financial institutions in Finland, decided to reduce deposit rates as of July 1 by $\frac{1}{2}$ per cent. This makes the rate on six-month deposits $4\frac{1}{2}$, $4\frac{3}{4}$, and 5 per cent and on current accounts, $2\frac{1}{2}$, $2\frac{3}{4}$ and 3 per cent. For the purpose of determining rates of interest, Finnish banks are divided into three classes according to size, the largest institutions paying the lowest rate. The interest charged on loans will be reduced proportionately. Borrowers all over the country, particularly farmers, will benefit by this change.

At the end of May, the number of unemployed in Finland was reduced to 42,400 from 82,600 at the end of last year. This also represents a decrease of 11,000 from May, 1932.

SWEDISH ECONOMIC AFFAIRS

Economic statistics for the late Spring indicate that there has been a slight improvement in Swedish business conditions. The balance of trade for June shows an excess of exports of approximately $3,750,000—the first excess in two years. For the first six months of 1933 the excess of imports was only $19,400,000, as against $37,250,000 for the same period last year. The change was brought about by an increase in the quantity of lumber, pulp and pig-iron exports and a decrease in imports of higher priced goods. The government is trying to reduce the size of Swe
principal imports, coal and gas
by encouraging substitutes. It ha
propriated funds for research int
use of wood products for fuel
poses; wood, instead of imported
is to be used next Winter in all p
buildings, and more money will b
vanced to buyers of motor truck
tractors which use charcoal gas

The number of unemployed d
May was 104,094; last January i
181,944. Both the cost of living
the wholesale price indices re
new low points during March
April. But a rise was indicat
May. The government's policy
encourage a moderate increas
wholesale prices and at the same
try to prevent undue jumps in the
of living, especially for the wo
class. An improvement in the
ping industry has also been note

At the request of President R
velt preliminary studies are t
made of the possibilities of a
agreement between the United S
and Sweden. The value of Sw
exports to the United States in
1933, amounted to $2,299,471; in
1932, the figure was $895,394.
cost of Swedish imports of Ame
goods totaled $1,202,410 in June,
compared with $985,044 in June,
The negotiation for the treaty w
in the hands of Laurence A. S
hardt, the new United States Mi
to Sweden, who arrived in Stock
on July 25. The appointment o
Steinhardt, the youngest Minist
the American diplomatic service
a close friend of President Roos
may be taken to mean that cultu
well as economic ties between
two countries will become close
that American efforts in this
tion will be carried on with in
gence and vigor.

Soviet Diplomatic Successes

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE achievements of Soviet diplomacy during the past month have been thrown into relief by the failure of the World Economic Conference to achieve any general solution of international problems. Russia's contribution to the business of the conference was of slight practical importance, but she exploited the opportunity presented by an assembly of delegates from all the nations of the world to settle many political questions with individual States and to press forward a comprehensive program of foreign relations. Foreign Commissar Litvinov, after his original economic program failed to win the approval of the conference as a basis for a general settlement, busied himself almost exclusively with questions relating to Soviet international relations.

First, in point of time, came the settlement of Russia's quarrel with Great Britain. A series of conferences between Litvinov and the British Foreign Office resulted on July 1 in an announcement that the two countries would immediately resume normal relations after more than two months of bitter trade war. The two British engineers imprisoned in Moscow for sabotage were released on the same day under penalty of banishment from the country; a British order-in-council revoked the embargo on Russian trade; and a decree of the Soviet Central Executive Committee withdrew the counter-embargo on British goods. It was also announced that the negotiations for a new trade agreement, broken off in March in consequence of the Metropolitan-Vickers incident, would be resumed without delay in the hope of reviving a trade which in recent years has totaled as much as $100,000,000 annually.

In accordance with diplomatic usage, both sides have tried not to lose face. Thus the release of the two prisoners may be represented as a vindication of the British position in the original controversy, while the Soviet Union can point out that the British embargo was revoked twelve hours before the prisoners were released, and can announce publicly that negotiations for a trade agreement have been resumed "on the proposal of the British Government." But these diplomatic manoeuvrings are unimportant now that the two countries have again found a basis for political and commercial relations.

This settlement, however, did not help to clear up the mystery surrounding the trial of the Metropolitan-Vickers officials. The fact that Thornton and MacDonald confessed themselves guilty of conspiracy and sabotage remains uncontroverted and unexplained. Since their arrival in England both men have been non-committal in their comments on the trial, neither retracting their confessions nor explainting their conduct. They have made it clear that they were well treated while in prison, sharing a room apart from the other prisoners and receiving adequate rations while exempt from any obligation to work.

Their obvious good health and their description of the treatment accorded them have ended the fantastic rumors of torture and brutality which were freely circulated in other countries during the trial and after the imprisonment of the engineers. The Soviet Government has attempted further to reassure foreign opinion as to the impartiality of Russian courts and the safety of foreign nationals within the Union by publishing in English a complete verbatim transcript of the trial—three volumes of some 800 pages, including facsimile copies of the confessions signed by Thornton, MacDonald and Monkhouse—under the title *Wrecking Activities at Power Stations in the Soviet Union.* Though of considerable interest as an exhibit of the novel character of Russian judicial methods, this document, however much it may impress the reader that in this case the Soviet authorities proceeded in good faith, does not dispel the air of mystery surrounding the episode.

Coincident with the settlement of the issues with Great Britain, the Soviet Union carried on negotiations with representatives of the United States which presage early diplomatic recognition by America. A conference between Commissar Litvinov and Assistant Secretary of State Moley in London on July 2 concerning the application by Amtorg to the Reconstruction Finance Corporation for a loan to finance the purchase of American cotton resulted immediately in favorable action by the directors of the R. F. C. and the approval of the loan by President Roosevelt and Secretary Woodin. This of itself was merely a business transaction without any necessary political implications. The American Government has created for the Soviet Union a credit of some $4,000,000, receiving in exchange 5 per cent notes of the Amtorg Trading Corporation, unconditionally guaranteed by the State Bank of the U. S. S. R. This money will finance the sale by American exporters of from 60,000 to 80,000 bales of cotton for shipment to Russia; Amtorg undertakes to provide 30 per cent of the sale price at the time of purchase and to discharge the indebtedness at the end of one year.

Considered against the background of American foreign policy, the event acquires additional significance. This loan to promote sales to Russia is the first transaction of the kind to receive the sanction of any United States Government since the war. In accordance with the non-recognition policy, other administrations have not only denied the Soviet Union the support of government credit but, whenever the advice of the State Department was sought, have refused to approve loans made by American banking institutions. The present action, therefore, indicates a complete reversal of an attitude which has always been presented as a necessary phase of America's non-recognition policy; it is even more important because it received in advance the support of Senators and other public officials who are leaders of the movement for outright recognition. Additional loans of similar character, but for much larger amounts, are now under consideration as further discussions of the question of recognition are being carried on by representatives of the two countries.

The bases of the American policy of non-recognition have been greatly weakened by the trend in international affairs during recent years. As laid down in the Harding régime and reiterated by succeeding Republican administrations, this policy has demanded two conditions precedent to

recognition—the assumption by the Soviet Union of responsibility for the pre-revolution Russian debt to the American Government and for the property losses of our nationals during the revolution, and the cessation of Soviet-inspired Communist propaganda in the United States. The first of these conditions has been virtually nullified by the widespread repudiation of debts by governments which we continue to recognize. With regard to the second, the Soviet Government can present strong evidence that it has already met American demands. The curbing of the propagandist activities of the Third International, one of the salient features of Stalin's régime, has been dictated by Russia's urgent need for foreign markets, a condition implicit in Stalin's domestic program. The Soviet Union need no longer rely upon the former subterfuge that the government was not officially involved in the subversive activities of the International; it can point to the fact that these activities have been virtually suspended throughout the world. As these obstacles to recognition have been removed by the pressure of world affairs, positive motives for a change in American policy have grown stronger with the increasing need of foreign outlets for American basic commodities and the products of the American heavy-metal industries, until today business interests in the United States are pressing for recognition through chambers of commerce and similar groups, through farm organizations and through many of our largest enterprises.

These general aspects of the situation, taken in conjunction with the recent negotiations with Soviet representatives, convinced the delegates at the London conference that it was a matter of weeks only before normal diplomatic relations would be established between the United States and the Soviet Union. Representatives of other countries were convinced of this fact and it obviously was accepted by their respective governments as an element in their own foreign policy. It is, perhaps, fruitless to present all the evidence pointing to this result, since it was founded for the most part on rumor and conjecture—news reports that Assistant Secretary of State Moley had assured Litvinov that President Roosevelt was prepared to proceed with recognition in the Fall; statements that a scheme for provisional diplomatic relations to begin in September had been agreed upon, and many equally unauthoritative pronouncements. More significant were the confident tone of the Soviet press, which, until very recently, has been consistently pessimistic with regard to the matter, and the activities of American business concerns which were making definite preparations for a resumption of normal relations with Russia.

In a still wider arena, the Soviet Union has recently scored diplomatic successes which bear directly upon her security. Chief among them is the conclusion of a series of non-aggression pacts with all her immediate European neighbors. Previous treaties of similar character were defective in two respects: they did not include Rumania, an important country in the Soviet peace system because of her frontier position and because of her alliances with Poland and France; and their terminology with respect to aggression was most indefinite. The good offices of Poland as a mediator between the Union and Rumania enabled Commissar Litvinov and Rumanian Foreign Minister Titulescu to sign in London on July 3 a non-aggression pact binding their

respective governments. The pact settles one potential cause of war—the dispute over Bessarabia, a stretch of territory taken from Russia and given to Rumania by the war treaties. The same afternoon the Soviet Commissar signed a convention defining an aggressor with representatives of Persia, Afghanistan, Turkey, Poland, Rumania, Latvia and Estonia, which materially strengthened the circle of peace treaties. Lithuania, which had shown some mistrust of Poland's activities in behalf of the Soviet Union, became a party to this convention on July 5. It was also announced that Finland and China had indicated their readiness to adhere to the treaties at a later date.

Full appreciation of these important developments requires that account be taken of subsequent negotiations between the Soviet Union and France and Italy. Cordial relations with France had been prepared for by the agreement regarding non-aggression and neutrality recently concluded between the two countries. But the support of France, as the mentor and leader of the States of Eastern Europe, was needed to give final assurance of all the implications of this latest series of peace pacts. Moreover, the Soviet Union has desired a much more liberal trade agreement with France. On July 6 Litvinov went to Paris to confer on these matters with Premier Daladier and Foreign Minister Paul-Boncour. Although no further developments in Franco-Russian relations were announced as a result of this conference, the Soviet press published optimistic predictions as to the outcome. Much significance was attached also to the invitation extended by the Soviet Government to former Premier Herriot, who was chiefly responsible for the conclusion of the Franco-Russian neutrality pact, to visit Moscow for further discussion of trade relations.

After a long conference on July 11 between Premier Mussolini and Soviet Ambassador Potemkin, it was announced that Italy and the Soviet Union were drafting a non-aggression pact similar to those recently concluded between Russia and her European neighbors. Reasons peculiar to the relationships of the two countries lend dramatic color to this event. The Communist and Fascist régimes have always been enemies; Russia's first series of peace pacts with Central Europe was designed in part as an offset to Fascist diplomacy in that area; more recently, the Soviet press has interpreted Italy's leadership in forming the Four-Power Pact as evidence of an anti-Russian policy. To absorb Italy in a neutrality system which embraces States of such diverse interest as the Soviet Union, the States of the Near East led by Turkey, the Western and Central European nations and France would have been considered impossible before the recent successes of Soviet diplomacy prepared the way.

While the importance of the improvement in Soviet relations with Great Britain and the United States requires no emphasis, two observations may be made with regard to the series of non-aggression pacts. In the first place, they vitally affect the Soviet position in the Far East. Their effect is to secure the Soviet Union from attack for any and all reasons along the entire length of her extended frontier in Europe and Asia to the borders of Manchukuo. Moreover, they insure a benevolent neutrality of the States in these areas in the event of conflict with another country. With this assurance of safety the Soviet Union can marshal all its forces to support its interests in the Far East, where affairs have not been develop-

satisfactorily. Negotiations with :hukuo over the sale of the Chi- Eastern Railroad have reached a ition of stalemate, and the Soviet n is being continually irritated by :hukuo's interference with Rus- traffic on the road. For this con- ı Japan is blamed as the power ıd the puppet State on Russia's 'ian frontier. Japan's recent re- to allow Russian nationals to ıge a Soviet ship wrecked on the nese coast is an example of direct :s of friction between the two tries of which cases have been plying during the past few weeks. the Soviet Union feels stronger ıse of her improved position in Vest is obvious in the perceptible ning of her attitude toward Japan the signing of the non-aggres- pacts.

ese new treaties indicate a gen- shift in Soviet foreign policy. the German-Soviet treaty of Russia has, as a general rule, identified herself with the faction of Europe which has pressed for a revision of the war settlement—a faction led by Germany and opposed to the policy of France and her allies, particularly Poland. Now the Soviet Union has indicated, both by the recent treaty arrangements and by definite statements in the press, that she intends to join forces with those associated with French policy. There is little question that this change of front is attributable to the policies of the Hitler régime—the aggressive anti-Marxism which characterizes Hitler's domestic policy and the external expansion program revealed by Dr. Hugenberg's London memorandum, which Moscow holds is aimed at Russian territory. The effect of these developments is to leave Germany in a state of virtual isolation on the Continent of Europe, and therefore, in the words of a recent commentator, they "may well prove an historical landmark in European affairs."

Egypt's Anti-Christian Outburst

By Robert L. Baker

: other Oriental countries where Catholic and Protestant missions , Egypt experiences periodical missionary outbursts. In the one ı flared up toward the end of no blood was shed, but the vio- of Moslem press and pulpit ıst missionaries, mission schools ıgainst the government for per- ng them created a dangerous sit- n.

e immediate occasion of this aign was the alleged attempt of nglish headmistress of a mission school at Port Said to coerce a Moslem girl into accepting Christianity. The Moslem press and priesthood immediately seized upon the report as a pretext for demanding that all missionary schools be closed, that all missionaries be expelled and that the government take measures to provide orphanages and schools to accommodate Moslem children at present cared for by missionary institutions. In this agitation the highest Moslem authorities, including the Rector of Al Azhar University in Cairo, participated. A

Committee for the Defense of Islam, headed by Sheikh Mohammed el Maraghi, former Rector of Al Azhar, who, incidentally, at one time studied at Columbia University in New York, was organized to combat missionary work in Egypt. Telegrams of protest against missions were sent to the government from all parts of Egypt, and King Fuad received a large number of petitions imploring him to protect the rights and souls of Moslem children. For a number of weeks the newspapers of Cairo devoted most of their space to the campaign.

It was only natural that a number of acts of violence should result from the excited tone and false or exaggerated stories in the newspapers. The home of an American Protestant missionary was broken into, Coptic priests were beaten in various parts of Egypt, and in the Delta a dispensary and welfare centre maintained by the Franciscan Sisters of Mercy for poor Egyptian children was wrecked and some sixty children taken away by the rioters. At Mehalla el Kebir, the largest cotton centre in Egypt, a Greek priest was beaten and an American mission school was stoned. When the government was at last aroused to take steps to maintain order, it forbade the Committee for the Defense of Islam to hold public meetings. Some of the members of the committee, in appealing for funds, were so bitter against the missionaries that the authorities feared further violence, and only the priests of Al Azhar were permitted to solicit subscriptions to provide more Moslem orphanages and schools.

Public pressure forced the government to request the headmistress of the Port Said school to leave the country, and it felt impelled to expend £70,000 to establish Moslem orphanages. After the first week in July there came a shift in emphasis in the press campaign. Instead of the demand that all missionaries be expelled, sharp attacks were launched against the privileges and facilities which the Egyptian Government grants to recognized mission societies, such as travel on the State railways at half fare and the exemption of missionary institutions from customs and other taxes and, finally, against the subsidies that in certain cases have been given to missionary schools. The Committee for the Defense of Islam estimated that if these exemptions and subsidies were withdrawn an additional revenue of £150,000 would be obtained and that this could be made available for education and welfare work among Moslem children. They would not then have to resort to missionary clinics and schools where, according to the committee, "they were lured for the purpose of conversion."

The majority of the members of this committee are members of the Liberal Constitutional and moderate Wafdist parties, who at all times seek to embarrass the present government. The regular Wafdist leaders and newspapers were more moderate throughout the period of excitement, probably because they depend to a considerable extent on Christian Coptic support.

Oppositionist circles in Egypt will not be pleased with the news that Premier Sidky Pasha's health has improved so much during his sojourn in France that there is every likelihood that he will be able to resume the personal leadership of his government in October. Such was the report of Professor Abrami, the specialist who examined Sidky in Paris early in July.

Strong demands were made during the Egyptian budget debates for a reduction of the land tax. In 1889 this

was fixed at 28.64 per cent of the income from the land, but the fall in agricultural prices in recent years has made the burden relatively more severe on the farming class. Every year thousands of farmers are unable to meet their taxes and are dispossessed by the government. Every number of the *Official Journal* contains several pages of land sale notices, published by the Ministry of Finance. Since there is annually a considerable surplus of receipts over expenditures, it appears that something might be done to prevent the present rapid increase in the number of landless fellaheen. Sidky Pasha recently decided to devote £1,000,000 Egyptian from last year's surplus to remitting taxation in the villages. A legal difficulty, however, is presented by the fact that the land tax is earmarked as security for the public debt. Yet the government's extravagant expenditures—on little-needed public works, on entertaining international conferences and foreign visitors—might be curtailed somewhat to improve the lot of the poorer farmers.

PALESTINE'S LAND PROBLEM

In a material way Palestine has fared well during the world depression—better, possibly, than any similar area and population on the face of the globe. A brief explanation of the reasons for this prosperity was given in the August number of CURRENT HISTORY. Great Britain has just cause to be proud of the progress achieved in Palestine under her mandate. And yet it is perfectly apparent, even apart from considerations of policy, that the British conscience is never comfortable about the task in the Holy Land. Never clear as to what should be done in the present or striven for in the future, and besieged on the one hand by a vigorous Zionism demanding the complete fulfillment promised in the Balfour note and on the other by an embittered Arab population and a fanatical Arab Executive, Great Britain has muddled along, courageously holding the balance of justice as best she could. It has been a thankless task, and if her conduct of the mandate appears to have been equitable the fact remains that the British Government and thinking Englishmen have not been satisfied. Proof of this can be seen in the Passfield White Paper and in the appointment of a succession of commissions and individuals to investigate the land question. Is the land policy of the mandate conducive to equity and peace between Jew and Arab? Lord Passfield's pronouncement met with a storm of protest from Zionists throughout the world as pro-Arab, and the reports of the Shaw Commission and Sir John Hope were likewise vigorously condemned.

Now comes the publication of two hitherto secret reports made in December, 1931, and April, 1932, by Lewis French, until lately Director of Development in Palestine, on the resettlement of Arabs displaced from their lands by Jews. At the same time a loan of £2,000,000 to Palestine was announced in the House of Commons on July 14. Part of the money, it is generally believed in Jerusalem, is to be spent in carrying out some of Mr. French's suggestions for the settlement of landless Arabs. While that may be the intention of the British Government, the decision to publish the French reports at this time appears to have a close connection with the universal demand of Zionists that the doors of Palestine be opened to a wholesale emigration of Jews from Nazi Germany and other lands. On June 28, for example, Dr. Chaim Weizmann, former president of the World Zionist Organization and now presi-

dent of the Hebrew University in Jerusalem, proposed the settlement in Palestine of 250,000 Jewish refugees, to be made possible by raising a fund of at least $25,000,000.

In reply to all such plans the British Government, with the best will in the world, can only refer to Mr. French's careful and restrained reports, and especially to the following conclusions from that of April, 1932: "Leaving aside a few insignificant areas in the hills, temporarily abandoned because the owners have lost their cattle or other simple resources and are too much indebted to be able to replace them, in reality there are at the present time no cultivable lands at all which are 'surplus' in the sense that they are not already subject to cultivation or occupancy by owners or tenants." As to the State domains, Mr. French reported that no land was available. "The sole method by which room can possibly be found for more cultivators," he said, "is the introduction of artificial irrigation by the sinking of wells or bores; and few domains appear, on examination, to offer real scope for this form of development, which would, in any case, take a long time to mature and be inordinately costly, if it were proved to be feasible at all." And finally Mr. French declared: "If land is required for colonists, Arab or Jew, it must be bought with cash or its equivalent from existing occupiers."

Granted that landless Arab cultivators are not only a drain on the taxpayers but also a dangerous element in the community, the British Government is faced by two problems: (1) Shall it purchase lands from Jewish occupiers in order to resettle landless Arabs? (2) Shall it permit large-scale Jewish philanthropy abroad to purchase more lands from Arab occupiers in order to settle the victims of Nazi persecution, and thus increase the number of landless Arabs? To do both would intensify economic and racial troubles. It seems likely that the British Government will be obliged to make an early and far-reaching decision in regard to both Jewish immigration into Palestine and land policy.

TURKISH CAPITAL FOR NEW RAILWAY

For the first time since the Turkish Republic was founded, the government has been able to grant a railway contract to a purely Turkish capitalist group. Four companies joined for the purpose of making a bid to build the proposed Sivas-Erzeroum line and won in competition with a number of foreign offers. More than 1,000 miles of new railways have been built for the government by foreign firms and a total of 1,400 miles will have been constructed by 1934. The new line will be 420 miles long and will involve the expenditure of 47,630,000 Turkish pounds. The appearance of Turkish capital in the field of large-scale investment will probably soon become common—another striking illustration of Turkey's rapid modernization. Confidence in the government and in the sound banking system it has established are responsible for the innovation.

Tewfik Rushdi Bey, the Turkish Foreign Minister, arrived in Rome on July 10 for conversations with Premier Mussolini and Signor Suvich, the Italian Under-Secretary for Foreign Affairs, and next day talked with the Duce for an hour and a half. In a statement to the press Tewfik stressed the necessity for the development of closer economic relations between Italy and Turkey. Political observers in Rome believed that one of the main objects of his visit was to reassure the Italian Government that the non-

aggression and amity pacts recently concluded and under negotiation by Turkey with her neighbors and with the Little Entente are not prejudicial to Italy.

AMERICAN OIL CONCESSION IN ARABIA

In the middle of July the *Official Gazette* of Saudi Arabia, which appears in Mecca, published a royal decree granting an exclusive sixty-year concession to exploit petroleum resources throughout Saudi Arabia to the Standard Oil Company of California. This company already has a concession in the Bahrein Islands in the Persian Gulf, where its explorations have been rewarded by finding deposits of considerable value. In return for its new concession the company is to make two loans to King Ibn Saud and pay annual royalties. A clause of the contract provides that the concession may be canceled if the company does not begin work before September, 1936.

The grant of the concession to an American firm again demonstrates King Ibn Saud's aversion to allowing Great Britain, France or Italy, who have interests in the Near East and Northeast Africa, to gain an economic foothold in Saudi Arabia. By this concession, American capital will be allowed to participate with Egyptian and Indian Moslem capital in the economic development of the kingdom.

Militarism Grips Japan

By TYLER DENNETT
Professor of International Relations, Princeton University

NOTWITHSTANDING Japan's extraordinary political and military successes during the last twenty-two months, the emotional condition of the Japanese people continues to border on the hysterical. No State in the world, with the possible exception of Germany, appears at present to have heaped up within itself so many combustible elements.

On Aug. 1 the Japanese army and navy chiefs presented revised estimates for the 1934-35 defense program which are the largest in Japanese history and 45 per cent above the appropriations for the current year. The navy, it is alleged, is determined at the naval conference in 1935 to put forward a demand, supported by a fleet, in commission or under construction, equal to the London treaty limits, for parity with Great Britain and the United States. The naval estimates are nearly one-third larger than those of 1921-22, when Japan was attending the Washington conference.

The Japanese have not yet forgotten what were to them the humiliating results of the London Naval Conference. During July of the present year the trial of the civilian, naval and military plotters who were responsible for the terrorism of May 15, 1932, in Tokyo, has given some glimpses of the hell-broth which has been bubbling under the surface in Japan in the last few years. The priest who is leader of the Blood Brotherhood which murdered Finance Minister Junnosuke

Inouye and Baron Takuma Dan, declared that he still believed in the righteousness of his cause, that the political parties are responsible for the existence of the privileged class in Japan, and that the Elder Statesman system should be abolished. The ten naval officers implicated in the plot were disclosed as having been deeply disappointed at the results of the London conference, which, it will be remembered, were ratified in Japan without the express approval of the naval authorities. This action was interpreted by many of the naval officers as an intervention by the industrialists which was likely to result in placing Japan at a naval disadvantage in the Far East. At the trial it was obvious that many of the younger Japanese naval officers believed that Japan must rescue the colored races from white domination. Part of the navy trial was held in camera.

The Japanese plotters appear to have expected that their reign of terror would bring about the imposition of martial law, thus paving the way for a military government under General Araki, whom the reformers hoped vainly to secure as a leader. The terrorists also wished to express dissatisfaction with the government for its failure to relieve the starving farmers, the parents of the brave young soldiers who had been fighting for Japan in Manchuria and at Shanghai.

While the trial was in progress the Japanese police professed to have uncovered a new plot to assassinate a group of political leaders, and on July 10 arrested fourteen men who belonged to Nihon Seisanto, a society which, it is alleged, has 150,000 members. The society held a meeting to influence the trial by starting an agitation for the "restoration of the naval strength sacrificed by the London treaty." Though the police sought to convince the public that a Fascist plot had again been nipped in the bud, many people were skeptical of the reality of the police apprehensions.

A few days later, on July 20, the army carried out a sham air raid at night over Tokyo, which was reported to be designed as propaganda for the new army estimates. At 9 P. M. a siren sounded, lights were cut off and a plane appeared, dropping flares. Thus was the popular imagination fired by an ocular demonstration of a possible future attack on Tokyo. In the new budget estimates much emphasis is laid upon air armament. It is reported that nearly a hundred planes have been contributed to the army and navy by popular subscription, five of them by schoolboys throughout the country.

In the last week of July Tokyo was excited by the report that France had occupied nine small coral islands between the Philippines and French Indo-China. A member of the House of Peers immediately demanded that Japan annex the islands, although they are believed to be quite without value. Even the deposits of guano have long since been removed by Japanese traders.

By dint of much blustering and some legal right Japan was able to exact from the Soviet Government an apology on July 3 for the killing of three Japanese fishermen on the Kamchatka coast. On the same day, however, Japan apologized to Moscow for an attack twenty-four hours earlier on the Soviet commercial attaché in Tokyo. Six days later a Japanese news agency reported the seizure of a Japanese fishing boat by a Soviet trawler off Petropavlovsk. Other seizures were reported in the Kurile Islands. On the other hand, the Japanese police were reported to have seized two Russian

vessels on suspicion of spying off an unhabited island in the Kurile group. Thus are the Japanese people being fed from week to week by rumors and reports, many of them official or semi-official in character, which tend to provoke alarm and to create sentiment favorable to ever-increasing military expenditures.

Discussion continued but did not mature during July for the calling of the proposed Indo-Japanese trade conference to be held at Simla. The eagerness of Japanese industrialists for the conference was evident, for without waiting for the naming of the date of the conference, Japanese delegates were appointed. London has proved to be unwilling to grant plenary powers to the Indian commissioners, and while the Indian Parliament is scheduled to open on Aug. 14, it has been made clear that whatever the Simla conference may propose will be subject to revision by a later conference in London. The existing commercial treaty expires on Oct. 10.

Meanwhile, agitation has continued in England over the measures by which British labor can be protected from the competition of lower Japanese wage scales. Though Japan buys three times as much as she sells in Australia and is the second largest purchaser of Australian wool, the Australians have become aroused over increased imports from Japan. Mr. Bruce, Australian Minister Resident in London, is to confer with the British Cabinet on the subject.

To the protests of the Japanese Economic Confederation, composed of all the principal business leaders, a not very conciliatory joint reply has been sent by the Association of British Chambers of Commerce, the Federation of British Industries and the Manchester Chamber of Commerce. In the answer to the threat of Japanese retaliation against British protective measures, regret was expressed at the hint of a Japanese boycott. The British declared: "Such action might initiate a state of affairs the development of which it is difficult to foretell. It might lead to a series of measures having disastrous results on the relations between the two countries in both economic and political fields, and inimical in the long run to the true interests of both."

British alarm finds support in the reports of Japanese export trade for the first half of 1933. The increase has been 50.9 per cent over the similar period for 1932. Exports of rayon are particularly notable. Last year Japan was the fourth largest producer in the world, following the United States, Great Britain and Italy, but in the first five months of 1933 Japan moved into second place. A considerable part of the increase of rayon exports was to India. The cotton trade with Manchuria has likewise increased and is now more than three times what it was two years ago.

In one other, and even more disquieting respect, Japan is found to be setting new records. The natural increase of the population in the last year was just over 1,000,000; the birth rate was the highest and the death rate the lowest ever recorded in Japan. Birth control has evidently made no progress, though it has been observed that the age of marriage in Japan is slowly rising, which may eventually have some influence on population growth. Nevertheless, at present, the prospect of Japan's expanding her markets in proportion to her population may well be a nightmare to all Western exporting nations.

THE CHINESE SITUATION

Grim as are the realities in the Chinese situation, it is difficult to

view the situation from week to week without being struck by its humorous aspects. Late in June, after an attempt to murder the Admiral, who is also the Mayor of Tsingtao, the imposing Northwestern naval squadron sailed out into the high seas for an unknown destination in search of an object of allegiance, or, possibly, of a source of support. The largest member of the squadron is 4,300 tons and the newest was built in 1911. Failing to do any business in Northern waters, three of the vessels turned south and appeared near Hongkong. There negotiations were opened with the semi-independent Canton Government. But Canton derives no small portion of its revenue from Nanking, which pays it to keep the peace; appropriation by Canton of the Northwestern naval squadron might involve difficulties with the Nanking Government whence flow so many of its financial blessings, and so the offer of the vagrant navy was rejected. China now appears to have the somewhat unique distinction of possessing a navy without a country.

Almost as humorous is the extraordinary situation in which the Nanking Government has been placed by the gestures of the wily General Feng Yu-hsiang, whose alleged sin is that he has arisen in somewhat belated fashion to resist the Japanese. Nanking ordered him to cease fighting. This he ignored, and on July 14, in a private war, he captured Dolon Nor, 200 miles north of Kalgan. Some mystery surrounds his easy victory. Dolon Nor was defended by Manchukuo troops, but it had the assistance of Japanese bombing planes and the Japanese were in a position to supply adequate reinforcements. Apparently the city could not have been captured if the Japanese had seriously objected. Four days later General Feng telegraphed a general defiance to Nanking and called for the denunciation of the Tangku truce; Nanking responded by sending 60,000 men against Feng. At that point Canton stepped in to express its sympathy with the only Chinese General who in recent months appears to have won a victory. A popular subscription of 50,000 local dollars was dispatched to Feng. Immediately the Nanking Government eased off and called a military conference at Kuling. To add still further to the mystery, General Feng on July 23 suddenly evacuated Dolon Nor for the ostensible purpose of defending Kalgan against the attacks of the Nanking forces. However, Feng seriously compromised himself by negotiating with the Japanese. The present skit closes with two Chinese armies with a total of something less than 100,000 men encamped opposite each other, five miles apart; but there is no fighting.

An agreement was signed at Dairen on July 7 between the Chinese, Manchukuo and Japanese representatives for the administration of the demilitarized area northeast of Tientsin. Japanese evacuation is proceeding slowly, but provision is being made for the resumption of through trains between Peiping and Mukden. A considerable number of "irregulars," friendly to Japan, are being taken into the new Chinese police force. The most difficult problem is the disbanding of the Chinese armies, for a Chinese war lord without troops is hardly distinguishable from a Chinese coolie.

At the extraordinary League Council session at Geneva on July 3, in response to China's formal request, a special committee of nine members was set up to assist in the League program of Chinese reconstruction. The committee has authority to invite the cooperation of the United States.